



U.S. Department  
of Transportation

**Federal Highway  
Administration**

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HDA-WA/301

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

### **FY 2008 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) 2008 (October 1, 2007 - September 30, 2008), Washington State obligated \$619,087,843.45 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 31 percent (\$191,174,025.84) of those federal highway funds were obligated by local agencies (cities and counties) for road projects during FY 2008.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and local agencies. For FY 2008 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 73 construction inspections (51 state and 22 local agency) of highway projects throughout the state. 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. Repeated deficiencies were noted in construction documentation and difficulty in meeting Disadvantaged Business Enterprise (DBE) and training goals. 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 2009 we will focus on the items noted above during our construction inspections.

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**Annual Regional Work Zone Reviews** - We participated in three of WSDOT's Region work zone traffic control reviews -- two in the Northwest Region and one in the Southwest Region -- in FY 2008. 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 and efficient 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.

**National Bridge Inspection Standards (NBIS) Annual Review** - The review conducted in May 2008 of 28 state and local agency bridges in the Southwest and Olympic Regions found that the overall bridge inspection program in Washington State was in compliance with the NBIS. Several areas for improvement were found and recommendations made to shore up some weaknesses in the program, but with the past and current attention and effort that the WSDOT Bridge Office and WSDOT Highways and Local Programs (H&LP) Office have made to address previous recommendations, the program is considered to be well managed. Identified deficiencies have been quickly addressed, and WSDOT has shown effective leadership to ensure the safety of bridges in Washington State.

**Structural Design Review** - This review was part of a national review with a team that consisted of individuals from the California Department of Transportation (Caltrans), FHWA's Resource Center, FHWA's Federal Lands Office, and our office. The field portion of the review was conducted in August and will be followed by additional review of documents gathered during the field review. Although the final report is not expected until January 2009, preliminary findings are that WSDOT has a robust structural design process which is among the best in the country.

**Design Stewardship Reviews** - These annual reviews assess WSDOT's project design process to ensure sufficient design documentation, project file records, and adequate Plans, Specifications, and Estimate (PS&E) exist for federal-aid highway projects. Eight (8) reviews were conducted on projects with at least one in each WSDOT Region. Roadside safety, project estimates, and design documentation were the three focus areas. Resolution of recommendations and actions for follow up are being incorporated in the appropriate design documents. Based on the results of this review, all WSDOT Regions comply with Title 23 of the United States Code (USC) requirements and the WSDOT / FHWA Stewardship Agreement standards.

**Categorical Exclusion (CE) per the Memorandum of Understanding (MOU)** - This review evaluated the 1999 MOU which delegated to WSDOT the determination of and signature authority for some minor environmental document clearances previously held by FHWA. The review team evaluated 46 state and local agency programmatic CE project approvals from the 2005-2007 biennium in the Northwest, South Central, Olympic, and Eastern Regions. The review found WSDOT to be in compliance with the conditions of the MOU.

**Buy America Review** - The review assessed WSDOT's compliance with the Buy America provisions of Title 23 USC. Overall, we found WSDOT to be in conformance with the provisions, but noted several recommendations to strengthen the program. These included requiring a standardized form for contractors to submit for material origin; designating a central point of contact at WSDOT to coordinate all Buy America waivers; having construction project engineers keep a spreadsheet of foreign steel amounts, to track allowable limits; and coordinating proprietary items in design and possible foreign steel conflicts. WSDOT staff agreed to implement these improvements.

**Right-of-Way (ROW) Appraisal Review** - This review was performed to determine how the WSDOT Regions have implemented the 2005 delegated appraisal authority and if they are utilizing this authority with sufficient process in place to ensure that all appraisal review requirements are being met. The appraisal review program was found to be in compliance with 49 Code of Federal Regulations (CFR) Part

24. It was noted that except in unusual circumstances due to management being out of the office, there is enough separation between the review appraisers and management to avoid a conflict of interest, but there may be some instances when the review appraiser may be put under pressure to meet delivery dates. Therefore, we recommended moving the appraisal review function back to WSDOT headquarters to eliminate the possibility of a conflict of interest. WSDOT has accepted this recommendation and is in the process of implementation.

**Emergency Relief (ER) Program Review** - The purpose of the review conducted in November 2007 with WSDOT's Northwest, Southwest, and Olympic Regions, as well as H&LP and Headquarters was to assess the ER program for consistency with federal laws, regulations, and guidance and modify, as necessary. We found the ER program to be in compliance. One of the products of this review was development of a standard submittal package when ER assistance is to be requested. This has improved understanding of the information needed for streamlining review and approval of ER funding requests. This review was timely as it helped to streamline the response for ER requests during the early December 2007 storms and resultant damage.

**Civil Rights Disadvantaged Business Enterprise (DBE) Review** - Overall WSDOT is implementing the DBE program plan in a satisfactory manner. We found WSDOT has done an excellent job educating its statewide project staff on potential issues associated with the DBE program. We also commended H&LP staff for their efforts to increase local agencies' awareness through LAG Manual training of their civil rights responsibilities. Several improvements were identified including updating WSDOT's Program Plan to reflect amendments and current consultant contract practices; tracking of DBE commitments / awards compared to actual payments; strengthening the Office of Equal Opportunity field review; and encouraging WSDOT and local agencies to require written confirmation from DBE contractors at the time of bid.

**Federal-aid Billing Audit #1 (Miscellaneous Non-Construction Charges)** - In this audit, we looked at whether claims submitted for non-construction charges were fair, reasonable and properly supported. During July, 2007, WSDOT submitted claims of approximately \$73.4 million for reimbursement. To determine how well WSDOT carried out its documentation responsibilities, we interviewed key program officials and reviewed cost information such as invoices, receipts and other supporting documentation. Our sample included charges totaling \$130,987.69. Generally, payments made for general operating expenses during July 2007 were fair, reasonable, and properly supported. It was found that documentation could be improved for 1) Meals with meetings, and 2) Transfers between work orders and/or appropriations.

**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 \$173,784.85 that was selected for this project, \$0 (0%) was determined to be improper due to inadequate documentation.

**Federal-aid Billing Audit #2 (State projects)** - The objective of this audit was to determine whether claims submitted for reimbursement during the first quarter of FY 2008 (October 2007 through December 2007), were fair, reasonable and properly supported. Collectively the federal-aid reimbursement for this period amounted to \$178,140,676.62. For this review we selected "highway construction" for testing. The charges attributable to "highway construction" for this period were \$64,015,644.56. In order to verify the validity of these charges, we conducted a review of State Project Engineer offices in the Eastern, North Central, and South Central Regions. Our review disclosed that documentation was adequate to support contract payment and subsequent federal reimbursement. In the two areas where project personnel did not adhere to established management controls project records were promptly adjusted in both cases.

**Federal-aid Billing Audit #3 (Local Agency projects)** - The objective of this audit was to determine how well local agencies carried out their documentation responsibilities. Our sample included five local agency projects. We audited for reimbursement during the fourth quarter of FY 2007 (July 2007 through September 2007) and first quarter of FY 2008 (October 2007 through December 2007), to see if they were fair, reasonable and properly supported. Collectively the federal-aid reimbursement for this period amounted to \$402,430,731. The charges attributable to local agencies for this period were \$115,631,249. Our review disclosed that documentation was adequate to support contract payment and subsequent federal reimbursement. However, we found some instances where project documentation could be improved. These were discussed with H&LP staff and appropriate corrections were made.

**Grants Management Review on Cost Estimates** - The objective of this review was to develop a baseline assessment for compliance with requirements for having a documented cost estimate in support of all federal regulations. Our review sample included 17 local agency projects and 18 state projects in the Northwest and South Central Regions. We did not find significant differences between the documentation for local and state projects, however, we found that ROW was the best documented of all the phases. The initial obligation for construction was well documented, but a lack of documentation existed for supporting charges. The preliminary engineering phase was the least documented. It appears there are opportunities for improvement in documenting cost estimates for all project phases. We have an action plan for implementing improvement ideas and will include follow-up activities in FY 2009.

**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 2008 with 49 local and state projects in the three tiers with a total unexpended balance of \$12.8 million. These figures have fluctuated through the year, with a high of \$26.2 million on July 30, 2008, but we ended FY 2008 with 80 local and state projects with a total unexpended balance of \$21.8 million.

**Highway Performance Monitoring System (HPMS) Annual Review** - In FY 2008 a HPMS review of local agency traffic monitoring 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 found that local agencies were collecting traffic data in accordance with generally accepted procedures. The few minor discrepancies noted were all easily resolved in follow-up discussions with personnel from the Transportation Data Office (TDO). We determined that WSDOT's TDO has a model program for monitoring and providing assistance to local agencies for ensuring data quality. FHWA Headquarters recognized WSDOT's efforts in this area, as well.

**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 2008 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 2008 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 the Federal Transit Administration (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 Parts 134 and 135 and 49 USC Sections 5303-5305. The FY 2008-2011 STIP met the fiscal constraint requirement and was subsequently approved.

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

**Transportation Management Area (TMA) Certification Review** - This planning review conducted in January jointly with FTA evaluated the Spokane Regional Transportation Council's (SRTC) planning process. SRTC was certified subject to the corrective actions and recommendations. Two corrective actions were noted from the review which were subsequently addressed.

**Canadian Heavy Vehicle Use Tax (HVUT) Review** - The review found the compliance rate by Canadian Carriers with the HVUT to be about 52 percent based on data we gathered. We estimate the annual non-payment of HVUT to the US by all Canadian Carriers (not just British Columbia) to be about \$20 million. Canadian Carriers are not checked for compliance in paying the HVUT like US Carriers are at the point of registration. As this is a broader national issue we have turned this review and follow-up over to FHWA Headquarters to work out with the US Customs and Border Protection on assisting with enforcement.

**SR167 High Occupancy Toll (HOT) Lanes Peer Review** - The SR167 HOT Lanes project was the first-of-a-kind project in Washington State. Because of the number of challenging issues with which to deal -- such as operational and safety impacts, technology / privacy issues, enforcement issues, equity concerns, and overall public approval -- we facilitated a peer review last January with experts from a handful of States and FHWA which have first-hand experience in planning, implementing, and operating HOT Lanes projects. The expert review team found that WSDOT had appropriately considered and addressed the numerous issues with this type of project resulting in the successful implementation of the SR167 HOT Lanes project in May.

**Local Program Administration Assessment** - This assessment identified strengths, weaknesses, opportunities, and threats, as well as best practices of the local program administration of WSDOT's H&LP Office. We confirmed H&LP has a very comprehensive and well defined program with no major issues and ensured ourselves there is a consistent and common approach for delivering the federal-aid program through local agencies. It also facilitated a better understanding for program management staff from both our office and H&LP. The assessment covered all federal-aid program areas and identified needed updates, revisions, and additions to the LAG Manual in the areas of finance, construction, civil rights, and ROW. Follow-up program enhancements have been included in our FY 2009 work plan.

**ROW Program Assessment** - This assessment evaluated WSDOT's ROW program. Two program risks for encroachments and early acquisition prior to environmental document approval were identified. Action items for follow-up include updating the ROW, Design and LAG Manuals to reduce these risks. Several other follow-up action items were identified and are being incorporated into our FY 2009 work plan for further work and resolution with your staff.

**Civil Rights Baseline Assessment** - WSDOT appears to be ahead of most state transportation agencies in implementing the civil rights program. The review determined that WSDOT's civil rights program has the commitment and support of WSDOT leadership and is a model for successful implementation of civil rights requirements. WSDOT's Office of Equal Opportunity is fully staffed and work collaboratively with other WSDOT disciplines to ensure consistent application of laws, statutes, policies, and procedures. While the baseline assessment concluded that WSDOT is meeting the majority of basic civil rights requirements, the assessment also revealed a few areas of improvement that we are working with WSDOT staff to address.

We also want to acknowledge and commend the work done by a number of your staff in helping in the updating and revising of the **WSDOT / FHWA Stewardship Agreement**. This Agreement, which had previously been updated and approved in May 2001, spells out our agencies' respective roles and responsibilities in delivering the federal-aid program in Washington State. Although there were minimal revisions required to the basic Agreement, the most notable modification was inclusion of performance indicators. These performance indicators, which will be reported to our office annually, assists us in determining the health of the program and where we may want / need to invest future review or oversight resources.

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 408 federal-aid highway projects authorized for construction in FY 2008 required FHWA involvement through our approval of the environmental document. Per 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 making the following finding:

**Finding** - Based on the inspections, reviews, program evaluations, audits, and specific project involvement conducted in FY 2008, 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 seventh annual Performance Report. Performance Reports for FYs 2002 through 2007 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 of the federal-aid funds during FY 2008.

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](mailto:Daniel.Mathis@dot.gov).

Sincerely,

Original /s/ by Daniel M. Mathis

DANIEL M. MATHIS, P.E.  
Division Administrator

Cc: Governor Christine Gregoire  
Dan O'Neal, 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  
Doug Ericksen, Ranking Minority Member of House Transportation Committee  
Dave Dye, Deputy Secretary and Chief Operating Officer, WSDOT  
Jerry Lenzi, Deputy Secretary for Engineering & Regional Operations, WSDOT  
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Kathleen Davis, Director of the Office of Highways & Local Programs, WSDOT  
Christine Johnson, Director of Field Services-West  
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