



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 7, 2010

HDA-WA/301

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

FY 2010 Performance Letter

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 FY 2010, I find:

The Washington State Department of Transportation (WSDOT) has complied with federal laws and regulations in expending the regular federal-aid highway, discretionary, 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 funds. Annually hundreds of millions of dollars of federal highway funds flow into Washington State. In federal Fiscal Year (FY) 2010 (October 1, 2009 - September 30, 2010), Washington state obligated \$643,783,500 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 32 percent (\$206,010,720) of those federal highway funds were obligated by local agencies (cities and counties) for road projects during FY 2010.

Additionally, from October 2009 through September 2010, WSDOT obligated \$172,887,817 in American Recovery and Reinvestment Act (ARRA) funds on 51 projects. Approximately 30 percent (\$51,398,432) of those funds were obligated by local agencies.

In total, WSDOT obligated \$816,671,317 in federal funds during FY 2010. Of that \$559,262,165 was obligated for state projects and \$257,409,152 (approximately 31.5 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 FY 2010 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 62 construction inspections (39 state and 23 local agencies) 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. 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.

National Bridge Inspection Standards (NBIS) Annual Review - A field review was conducted in June 2010 of 20 state and local agency bridges in the Northwest and North Central Regions and other data has been reviewed throughout the year. Ongoing corrective actions are underway to complete needed load ratings of state bridges. Concerns still exist with conducting the needed inspections within the required intervals, although recent improvement has been noted. Data quality has also been a growing issue, especially with local agency bridges. Right now the program is considered conditionally compliant with the NBIS, but the final determination is still pending, with significant milestones identified for the end of the year.

Hydraulic Design Review - In November 2009, members of our Resource Center joined our office in conducting a hydraulic program review of your hydraulics program. The FHWA Resource Center conducted this review in conjunction with the FHWA Washington Division Office and the WSDOT Headquarters Hydraulic Branch. The objective of the review was to better understand the programs and processes of the WSDOT groups associated with the Headquarters Hydraulics Branch. The review team sought information to gain insights on practices Washington has applied to their unique drainage issues and environmental challenges. In addition to the nine recommendations to strengthen and improve the hydraulic design program the team also highlighted 12 commendations many of which will be shared with other states throughout the country.

Local Agency Certification Acceptance (CA) Review - This review evaluated H&LP's CA process to determine if local agencies have the ability to administer federal-aid projects. The Review Team found the current CA process to be acceptable in determining the qualifications of the local agencies to administer federal-aid projects. As a result of this assessment, several recommendations were offered to help improve the program including; 1) making changes to the Chapter 13 of the Local Agency Guidelines (LAG) manual, the CA Interview Form, and the Program Management Review (PMR) Checklist which will be adopted in the LAG manual with the October 2010 update; 2) WSDOT submitting an annual report with the requested information on performance indicators at the end of FY 2011; and 3) starting with FY 2011, FHWA Area Engineers and WSDOT Region H&LP Engineers will conduct joint Design Stewardship

Reviews on the local agency federal-aid projects. The recommendations will help ensure requirements are met, as well as create additional program efficiencies.

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 the design documentation, project record files, and Plans, Specifications, and Estimate (PS&E) are consistent with state and federal requirements. Seven (7) reviews were conducted in FY 2010. Three 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. Reports also document best practices being employed by design offices. Based upon the results of this review, all WSDOT Regions are complying with Title 23 (U.S.C.) requirements, WSDOT design policies and procedures, and the WSDOT/FHWA Stewardship Agreement. While there have been improvements in accommodating bicyclists and pedestrians through work zones in recent years, it continues to be an area of concern.

Federal-aid Billing Review #1 (State projects) - The objective of this review was to determine whether claims submitted for reimbursement during the first quarter of FY 2010 (October 2009 through December 2009), were fair, reasonable and properly supported. Collectively the federal-aid reimbursement during this period amounted to \$257,210,265.54. For this review we selected "highway construction" for testing. The charges attributable to "highway construction" on projects for this period were \$129,316,647.99. In order to verify the validity of these charges, we conducted a review of state Project Engineer offices in the Northwest, South Central, 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 four local agency projects. During the first quarter of FY 2010 (October 2009 through December 2009), we reviewed reimbursements, to see if they were fair, reasonable, and properly supported. Collectively the federal-aid reimbursement for this period amounted to \$257,210,265.54. The charges attributable to local agencies for this period were \$98,189,265.64. 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 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 2010 with 89 local and state projects in the three tiers with a total unexpended balance of \$25.6 million (3.7 percent of apportionments). These figures have fluctuated through the year, with a high of \$25.6 million (3.6 percent of apportionments) on December 31, 2010 and the FY ending with a low of \$19.6 million (2.8 percent of apportionments).

ARRA Disadvantaged Business Enterprise (DBE) National Review Team (NRT) - Our agency established NRTs 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 NRT found a number of areas of improvement needed in Washington State to more effectively oversee and implement the DBE program on ARRA projects. We note that you had undertaken efforts in most areas to strengthen and improve your DBE program. In FY 2011 we will continue to monitor your efforts to address those areas of improvement identified.

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 calendar year 2010, included 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 found 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. A delay in the implementation of new software for the STIP required that the annual update be deferred for one year. Federal regulations do not require STIPs to be updated on an annual basis, therefore, the federal review of the 2009-2013 STIP, by the FHWA and FTA in which they found that the projects in the 2009-2013 STIP are based on a transportation planning process that substantially meets the requirements of 23 Sections 134 and 135 and 49 U.S.C. Sections 5303-5305 remains in effect.

Highway Performance Monitoring System (HPMS) Annual Review - In FY 2010 an HPMS review of WSDOT and local agency routes was conducted in the North Central and Eastern Regions. The data elements considered were those that can be observed or measured in the field. WSDOT provided a subset of the data elements that were submitted to FHWA's Office of Highway Policy Information in June of 2010. We reviewed 38 sections from that subset in the field and found only minor discrepancies. FHWA Headquarters reviewed the entire dataset submitted by WSDOT in June and commented positively on its quality and accuracy.

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 pavements and structures and provide a safe driving environment. In FY 2010 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-year 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.

The following review, initiative, and scans were also done with involvement and assistance of your staff:

Transportation Management Area (TMA) Certification Review - This planning review conducted in March 15-17, 2010, jointly with FTA evaluated the Puget Sound region transportation planning process. The Puget Sound Regional Planning Council was certified subject to a corrective action and recommendations. The corrective action noted from the review is being addressed.

HUD-EPA-DOT Partnership for Sustainable Communities Initiative - We appreciate your and your staff's participation in the Community Dialogue held July 21, 2010 at the University of Washington's College of the Built Environment. Over 140 participants from across the state discussed ways for the United States' Department of Housing and Urban Development (HUD), Environmental Protection Agency (EPA), and DOT to better integrate and coordinate their programs to further livability and sustainability in Washington State.

Active Traffic Management / Variable Speed Limit Scan - Representatives from the Colorado DOT, Oregon DOT, Utah DOT, New Hampshire DOT, New Hampshire State Police, FHWA Colorado Division, FHWA Washington Division, and the FHWA Resource Center participated in a 2-day scan on February 1-2, 2010 in Washington State. The scan team met with officials from WSDOT and WSP to discuss the existing Variable Speed Limit (VSL) systems on I-90 in Seattle and in the mountainous area of Snoqualmie Pass, as well as the planned Active Traffic Management (AcTM) systems in the Seattle area. WSDOT Traffic staff from the Northwest and South Central Regions provided excellent information to the scan team through presentations, discussions, and a driving tour of the VSL Snoqualmie Pass system.

Performance Measurement Scan - Representatives from the FHWA Indiana Division and the Indiana DOT (INDOT) conducted a 3-day scan on September 21-23, 2010 to examine the mobility performance measurement process of WSDOT. The purpose of the scan was to gain a better understanding of travel time reliability measures along with other mobility performance measures, performance data collection, and performance reporting. The scan team was very impressed with the advanced status of performance measurement at WSDOT and will use the information learned to develop a mobility measure program, including a travel time reliability measure, for INDOT.

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 FY 2010 required FHWA involvement through our approval of the environmental document. Per the Stewardship Agreement we also had project specific design, right-of-way (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 FY 2010. I also applaud your staff for their work in delivering the \$816.67 million in federal-aid (ARRA, discretionary, and formula funds) at a time when you're in the midst of the largest state construction program in history.

This is the eighth annual Performance Report. Performance Reports for FYs 2002 through 2009 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,

Original /s/ by Daniel M. Mathis

DANIEL M. MATHIS, P.E.
Division Administrator

Cc: Governor Christine Gregoire
Carol Moser, Chair, Washington State Transportation Commission
Mary Margaret Haugen, Chair, Senate Transportation Committee
Dan Swecker, Ranking Minority Member of Senate Transportation Committee
Judy Clibborn, Chair, House Transportation Committee
Dan Roach, 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
Christine Johnson, Director of Field Services-West
King Gee, Associate Administrator for Infrastructure
Mike Graf, Program Management Initiative Team Leader