



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>

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HDA-WA/301

Ms. Lynn Peterson
Secretary of Transportation
Department of Transportation
Olympia, Washington

FFY 2014 Performance Letter

Dear Ms. Peterson:

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) 2014, I find:

The Washington State Department of Transportation (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.

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 Federal Fiscal Year (FY) 2014 (October 1, 2013 - September 30, 2014), Washington state obligated \$645,805,127 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 68 percent (\$437,959,462) of those Federal highway funds were obligated for state projects and 32 percent (\$207,845,665) were obligated by local agencies (cities and counties) for road projects during FFY 2014.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and local agencies. For FFY 2014, 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 During FFY 2014 – Our office conducted 39 highway project construction inspections throughout the state (32 state and 7 local agencies). We conducted 19 inspections on Transportation Investment Generating Economic Recovery (TIGER) funded projects, and the remaining 20 on regular federal-aid funded projects or state-only funded projects. Summarizing all the inspection reports, WSDOT provides excellent oversight and administration of its construction program. The projects we reviewed were built in conformance with the approved plans and specifications. We discussed our findings and recommendations for these projects with the appropriate Project Engineer, resolved any issues, and shared the results with your Headquarters Construction and Local Programs (LP) offices via hard copies 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 – The 2014 NBIS review incorporating an oversight process that is risk-based, data-driven, and evaluates 23 metrics is fully underway. Our office has cooperated with WSDOT to gather bridge data, review bridge files, and conduct field visits to assist in the compliance determinations for 2013. WSDOT adheres to a Plan of Corrective Action (PCA) to resolve issues with inspection frequency. The 2014 NBIS compliance determinations on all 23 metrics are scheduled to be completed by December 31, 2014.

Design Stewardship Reviews – WSDOT Assistant State Design Engineers and our Area Engineers conduct annual Design Stewardship Reviews to assess WSDOT’s design process used on federal-aid projects. These reviews provided evidence that WSDOT’s design documentation, project record files, and Plans, Specifications, and Estimates (PS&E) are consistent with applicable state and federal requirements. In 2014, our Area Engineers conducted PS&E reviews instead of the traditional design stewardship reviews. We conducted 15 reviews; 3 on local agency projects and 12 on state projects. We had no significant findings from these reviews. Based upon the results of the review of documents, we found PS&E packages comply with Title 23 USC requirements, WSDOT design policies and procedures, and the WSDOT/FHWA Stewardship Agreement.

Compliance Assessment Program (CAP) Reviews - The purpose of the Compliance Assessment Program (CAP) is to help provide reasonable assurance that federal-aid highway projects comply with key Federal requirements. The CAP helps provide this assurance by assessing a statistically valid sample of projects such that the results inform FHWA nationwide, with an acceptable level of certainty, of the degree of compliance. A Core Question Guide and Technical Review Checklist were used to assess key Federal regulatory requirements. We reviewed a total of 55 projects with the Core Question Guides. We also completed the following technical review checklists on the same 55 projects: 18 Contract Administration, 13 Materials Quality, 4 Safety, 1 Emergency Relief, 3 Civil Rights, 4 Environment, 4 Right-of-Way, 3 Planning, and 5 Financial. For the projects reviewed we found compliance was being met, except for certifications for railroad and utility agreements. As a result of these reviews it became apparent certifications for railroad and utility agreements was a nationwide compliance issue, as well. WSDOT and the Division are currently working on a reasonable solution to address this issue in Washington State.

Federal-aid Grants Management Review - The SR 520 Floating Bridge and Landings (FB&L) contract replaces the existing floating bridge and approaches from the future west approach structure east of Foster Island in Seattle to Evergreen Point Road in Medina. We conducted this review to ensure that contractor payments submitted for reimbursement were fair, reasonable, and properly supported in accordance with WSDOT's Construction Manual and Design-Build (DB) Contract. To validate the appropriateness of payment, our office reviewed the supporting documents associated with contractor invoices for the SR 520 FB&L DB contract. Our review found that the project office had sufficient documentation to support the payments to the contractors. Our staff was able to select a billing submitted for reimbursement and find the supporting documentation for all of the activities selected.

SR 520 Floating Bridge Replacement and HOV Program Financial Activities – On October 25, 2012, WSDOT and FHWA closed on the \$300 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement for the SR 520 FB&L project. The interest rate for this TIFIA loan is 2.99 percent. The TIFIA loan will fund portions of the SR 520 bridge replacement and HOV program. Most of the loan is planned for funding the SR 520 West Approach Bridge North (WABN) Project. In September 15, 2014, Washington received its first TIFIA disbursement of \$10 million for expenditures on the SR 520 Bridge Replacement project. Our office reviewed field note records to approve the \$10 million disbursement request.

Federal-aid Billing Review #1 (State Projects) - The objective of this review was to determine whether claims submitted for reimbursement during the period June 1, 2013 through May 31, 2014, were fair, reasonable and properly supported. Collectively the federal-aid reimbursement during this period amounted to \$930,032,359. For this review we selected “highway construction” for testing. The charges attributable to “highway construction” on projects for this period were \$584,794,384. In order to verify the validity of these charges, we conducted a review in a Project Engineer Office in the Eastern Region. Our review disclosed that documentation was generally adequate to support contractor payments and subsequent federal reimbursement.

Federal-aid Billing Review #2 (Local Agency Projects) - The objective of this review was to determine whether claims submitted for reimbursement by local agencies, during the period June 1, 2013 through May 31, 2014, were fair, reasonable and properly supported. Collectively, the federal-aid reimbursement for this period amounted to \$930,032,359 with charges attributable to local agencies for this period being \$214,290,830. In order to verify the validity of these charges, we conducted a review in Project Engineer Offices in the Olympic, South Central, and Southwest Regions. Our review disclosed that documentation was generally adequate to support contractor payment and subsequent federal reimbursement.

Inactive Obligations - The FHWA Financial Integrity Review and Evaluation (FIRE) Order requires a quarterly review of inactive projects that fall into two tiers, 1) inactive projects \$150,000 or greater and 2) inactive projects less than \$150,000. Each quarter, our office requires WSDOT to review projects that fit into the inactive status and requests justification for the inactivity. We began FFY 2014 with local and state projects at a total unexpended balance of \$21.5 million (3.3 percent of FFY 2014 apportionment). These figures fluctuated through the year, and ended FFY 2014 with \$2.8 million (0.43 percent of total fiscal year apportionment).

Americans with Disabilities Act (ADA) / Pedestrian Access through Work Zones Review –

Our staff conducted this review in collaboration with WSDOT’s LP Office. This review evaluated local agencies’ implementation of the American with Disabilities Act (ADA) Title II maintenance requirements, as they pertain to pedestrian facilities in construction work-zones. A small sampling of local agency projects under construction in WSDOT’s Northwest, Olympic, and Southwest Regions were visited. The review also included interviews of public works staff (including project management staff) from seven local agencies. This review concluded that there is still work to be done in the area of ADA awareness and implementation of ADA requirements. We made six recommendations. An action plan was developed and is currently being implemented.

Quality Assurance (QA) Stewardship on Local Public Agencies Review –

This review looks at WSDOT’s QA program to assure conformance with the regulatory requirements of 23 Code of Federal Regulations (CFR) Part 637 Subpart B. In particular, this review focused on compliance for locally administered federal-aid projects on the National Highway System (NHS). While a 2011 QA Stewardship Review found WSDOT’s program to be in compliance with federal requirements, that review did not include locally administered projects specifically. With the increase in NHS mileage at the local level, and the number of new agencies owning NHS mileage, a review of materials QA procedures at the local level was necessary to accurately determine WSDOT’s stewardship of the program. FHWA and WSDOT collaborated to develop an action plan that included an education and outreach program for all local agencies that own mileage on the NHS. In addition, WSDOT’s Materials Laboratory and LP developed a joint plan to determine how the QA requirements on the locally owned NHS mileage were to be met by June 1, 2014.

Review of Utility Impacts on WSDOT Construction Projects –

The primary objective was to review a sample of WSDOT construction contracts with known utility conflicts and determine if the utility conflicts caused significant impacts to schedule and budget. A survey was completed on 40 WSDOT construction projects across the state. Our results of this review found that WSDOT’s utility identification and relocation process appears to be working well, typically avoids significant unanticipated construction cost and time impacts, and is considered low risk in terms of its impact on the federal-aid highway program. We did provide two recommendations that could help reduce time and/or cost impacts even further on projects in our report.

Planning Finding and Statewide Transportation Improvement Program (STIP) Review –

Our office and the FTA Region X office conducted reviews of WSDOT and Metropolitan Planning Organizations (MPOs) and their statewide and metropolitan transportation planning processes for calendar year 2014. These reviews included a review of self-certification supporting documentation, federal certification of the Puget Sound Regional Council, and federal involvement in the state and MPO transportation planning processes. As a result of these reviews, FHWA and 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. 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. FHWA, FTA, and WSDOT undertook extensive review and coordination during FFY 2014 that included discussion

of specific issues related to project prioritization, fiscal constraint, and full four year programming for metropolitan transportation improvement programs.

Highway Performance Monitoring System (HPMS) Annual Review - In FFY 2014, an HPMS review of WSDOT and local agency routes was conducted in the South Central and Southwest WSDOT Regions. Our staff reviewed these routes after WSDOT submitted the full 2013 HPMS dataset to FHWA's Headquarters Office of Highway Policy Information (OHPI) on July 10, 2014. The data elements considered are those easily observed or measured in the field, and are based on specific guidance provided by OHPI. We reviewed a subset of 50 road segments in the field, and found no discrepancies. FHWA Headquarters has accepted the entire dataset submitted by WSDOT in July. We will provide a final HPMS report to FHWA's OHPI office before December 31, 2014.

Truck Size and Weight Review – This annual review of WSDOT and Washington State Patrol's (WSP) operation is conducted to ensure the state meets the federal regulatory requirements of vehicle size and weight (VS&W) laws. The size and weight enforcement program is designed to monitor and prevent premature deterioration of the highway pavement and structures and provide a safe driving environment. In FFY 2014, the Washington State Patrol (WSP) submitted the required 2015 State Enforcement Plan (SEP) on time and in the appropriate format. Our office approved certification (2013) and the evaluation report for the State's SEP on October 1, 2014. Also, a FHWA National Review Team (NRT) was in Olympia March 18-20 to review the VS&W program administered by WSDOT and WSP. Washington was the 5th of 6 states visited as a part of this review. In addition to meeting with Division leadership and staff, the NRT met with and interviewed Commercial Division staff from WSDOT and WSP, and senior management at WSP to better understand how the VS&W program works in Washington. FHWA has determined the VS&W Enforcement program is meeting minimum requirements of the CFR. However, because the program continues to face funding and facilities challenges, our staff is coordinating with leaders from WSP and WSDOT to hold an interagency "summit" or workshop in early 2015. The goal will be to review the VS&W program in its larger context of freight movement throughout the state, and the associated impacts on and needs from roads, bridges, safety, and traffic.

Transportation Management Area (TMA) Certification Review – The TMA Certification Review, is a formal review of the metropolitan transportation planning process in an urban area with a population greater than 200,000 persons. A review was completed in 2014 for the Puget Sound Regional Council (PSRC). The review consisted of a desk audit of the current planning documents which began in April, and a subsequent site visit June 10 and 11, 2014, where FHWA, FTA, WSDOT, and PSRC planning staff discussed the details of metropolitan planning for PSRC. The review found many commendable issues, recommendations for improvement, and no deficiencies that require corrective actions. FHWA and FTA re-certified the TMA on September 30, 2014.

Civil Rights Title VI Review - On September 28-29, 2014, FHWA's Headquarters Office of Civil Rights and our office conducted a Title VI review of WSDOT. The purpose of the review was to determine compliance with Title VI program requirements which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance. The review consisted of interviews with several WSDOT program offices,

two MPOs (Thurston Regional Planning Council and PSRC), and two local agencies (King County and City of Seattle). Preliminary outcomes of the review reveal that, in general, WSDOT's Title VI Program implementation appears to be satisfactory. There are a few areas that need attention/action, such as the lack of a Statewide Public Participation Plan. More detailed information will be provided in FHWA's review report. A draft report is expected to be completed by the end of the calendar year.

Agreements on DBE Issues Reached on AWW Project - On Thursday, March 20, 2014, our agencies announced that the main contractor on the Seattle tunnel project is now contractually obligated to provide \$96 million in work to disadvantaged business enterprises (DBE). WSDOT also entered into a conciliation agreement with FHWA on how it will ensure that Seattle Tunnel Partners (STP) follows through on its commitments to minority contractors. At issue was STP's failure to meet DBE goals for subcontracting a portion of work. A FHWA review finalized in October 2013 found that WSDOT's mishandling of the program allowed STP to discriminate against small, minority-owned businesses. In addition to writing the \$96 million DBE amount into STP's contract with WSDOT, the company will be required to hire "a third-party independent program coordinator to review their DBE subcontracting activities and procedures and to verify that their actions are in compliance with the appropriate federal and state regulations as well as WSDOT contractual requirements." WSDOT is also hiring a DBE program administrator to oversee STP's compliance and to conduct outreach to minority contractors.

The following review(s), initiative(s), and scans were also completed with involvement and assistance of your staff:

Interaction with New Walla Walla Valley Metropolitan Planning Organization (MPO) – As noted in last year's report-out, under the leadership of WSDOT's Transportation Planning Office, the Walla Walla Valley MPO was designated by Washington State on March 27, 2013, and Oregon State on April 4, 2013. The new MPO is aggressively addressing its planning requirements under an updated Unified Planning Work Program that includes development of a Metropolitan Transportation Plan and Transportation Improvement Program.

Designation of Kennewick-Pasco TMA – Following designation of the Kennewick-Pasco Urbanized Area (UZA) of Washington as a TMA, the FHWA, in cooperation with FTA and WSDOT, has continued extensive coordination with WSDOT and Benton-Franklin Council of Governments (BFCOG), the Metropolitan Planning Organization (MPO) for the UZA to assist implementing the planning requirements required for a TMA which include developing and upgrading their Public Involvement and Title VI plans, revisions to their Interlocal agreements and By-laws, and developing a Congestion Management Process.

Washington Division OIG Audit - The Office of the Inspector General (OIG) is conducting an audit of FHWA's Oversight of American Recovery and Reinvestment Act (ARRA) Project Closeouts. The focus of the audit was to determine whether FHWA performs adequate oversight to ensure timely closeouts of completed ARRA highway projects. Washington was one of nine States that was selected. While the review of ARRA project closure was focused on our office the OIG also requested WSDOT to complete a questionnaire on the same topic.

Peer Exchanges with other states and agencies from around the country. This included: 1) a WSDOT hosted **Research Peer Exchange** on May 13 and 14, 2014, to get an understanding of successful practices and streamlining opportunities in research program and project management and better understanding of the workload associated with these activities; 2) a **Local Public Agency (LPA) Peer Exchange** (June 11, 2014) with eight State DOTs and FHWA Division Offices who were interested in WSDOT's overall administration of the LPA program with particular focus on WSDOT's LPA Certification Program. Utah attended in person with seven states (Arizona, Colorado, Massachusetts, Nevada, New Jersey, New York, Wisconsin) participating by video conference/webinar; and 3) an Every Day Counts (EDC) II Implementation Team sponsored **LPA Peer Exchange** on July 23-24, 2014, with WSDOT's LP Office, the Oregon ODOT, Oregon FHWA Division, FHWA's Resource Center, and our office hosted a Peer Exchange on the LPA program with Colorado DOT and the FHWA Colorado Division.

Hosting two **Demonstrations** of two Innovative Technologies: 1) **High Friction Surface Treatment Demonstration/Peer Exchange** on Wednesday, July 30, in Thurston County to demonstrate the installation of a High Friction Surface Treatment (HFST) by the FHWA Resource Center Safety/Design Team and industry representatives as part of FHWA's Every Day Counts (EDC) initiative and Proven Safety Countermeasures; and 2) **Intelligent Compaction Technology Demonstration** in late August on SR 539 in Linden to showcase this emerging technology of compaction of road materials using modern vibratory rollers equipped with an integrated measurement system, an onboard computer reporting system, and Global Positioning System (GPS) based mapping.

We congratulate and commend WSDOT for:

Washington Named the No. 1 "Bicycle-Friendly State" Again – Congratulations to WSDOT for its part in helping Washington State being named the No. 1 "Bicycle-Friendly State" in the country for the seventh year in a row in May 2014 by the League of American Bicyclists. WSDOT's numerous programs in support of bicycling play a key part in this recognition. We appreciate WSDOT's efforts in accommodating other modes of transportation.

Response to the Landslide on SR 530 at Oso – We'd like to recognize the outstanding response WSDOT provided after the landslide that occurred on March 22, 2014, at Oso. You and your staff quickly established detours for local traffic initially, then thru traffic, and finally a permanent realigned and raised new SR 530 in late September 2014 after respecting the difficult recovery operation.

Hosting of the National Work Zone Kickoff in Seattle – WSDOT was selected as the 2014 host, and held the event at the ongoing Alaskan Way Viaduct Tunnel Replacement project. FHWA Deputy Administrator Greg Nadeau along with your leadership attended the National Work Zone Kick-off which took place on Tuesday, April 8.

In addition to the above-mentioned program oversight and review activities, my staff has specific project involvement responsibilities, as well. As noted in the Stewardship Agreement, we had project specific environment, design, right-of-way, 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 nearly \$646 million in federal-aid funds during FFY 2014.

This is the 12th annual Performance Report. Performance Reports for FFYs 2002 through 2014 can be found on our website at <http://www.fhwa.dot.gov/wadiv/preports/>.

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,

/s/Daniel M. Mathis

DANIEL M. MATHIS, P.E.
Division Administrator

cc: Governor Jay Inslee
Anne Haley, Chair, Washington State Transportation Commission
Curtis King, Chair, Senate Transportation Committee
Judy Clibborn, Chair, House Transportation Committee
Ed Orcutt, Ranking Minority Member of House Transportation Committee
Cam Gilmour, Deputy Secretary, WSDOT
Amy Scarton, Deputy Secretary for Community and Economic Development, WSDOT
Linea Laird, Assistant Secretary for Engineering and Regional Operations, WSDOT
Keith Metcalf, Deputy Assistant Secretary for Engineering and Operations, WSDOT
WSDOT Regional Administrators
Kathleen Davis, Director, Office of Local Programs, WSDOT
Allison Camden, Intergovernmental Relations, WSDOT
Jan Brown, Director of Field Services-West, FHWA
Butch Waidelich, Associate Administrator for Infrastructure, FHWA