Performance Audit Special Report

Department of Transportation results wrap-up
Engrossed Substitute Senate Bill 6839

Report No. 1000010

April 1, 2008

Washington State Auditor Brian Sonntag, CGFM

A letter from State Auditor Brian Sonntag

Brian Sonntag, CGFM
Washington State Auditor

Citizens, Governor and Legislators of Washington:

We present this summary report on the Washington State Auditor's Office work under the provisions of Engrossed Substitute Senate Bill 6839, enacted during the 2006 legislative session. The bill directed this Office to conduct performance audits of transportation-related government entities in Washington and provided $4 million in funding to do so. The bill also directed this Office to hire contractors to conduct the audit work.

Our goal for this report is to provide an overview of how the Washington State Department of Transportation is performing for the citizens of Washington. We accomplished that goal by conducting four performance audits, each focused on a different aspect of the Department's operations. Before we started these audits, our Office conducted an extensive citizen outreach effort. Citizens told us that congestion is their No. 1 transportation priority.

Four audits identified $110 million in existing resources that could be applied to effecting greater efficiency in the Department and to improving citizens' No. 1 priority, congestion. That audit identified several short-term actions that could be achieved using existing resources and existing infrastructure. Those improvements would immediately reduce hours spent in traffic by 15 to 20 percent, 12 million to 16 million hours per year.

The State Auditor's Office will follow up in some of these areas and will conduct additional work in the transportation arena. I look forward to hearing your ideas in this area.

Mission Statement

The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.

About the Audits

The Washington Legislature passed Engrossed Substitute Senate Bill 6839 in 2006. The legislation required the Auditor's Office to hire a contractor to conduct performance audits of transportation-related agencies in Washington. The measure funded the performance audits at $4 million through June 30, 2007.

How did the State Auditor's Office select the audits?

We engaged citizens in 2006 to find out their priorities for performance audit, including transportation. They overwhelmingly told us their top priority for the Department of Transportation was relieving congestion – 80 percent of Puget Sounds citizens named it their top priority. Citizens also expressed a desire to improve overall efficiency, effectiveness and accountability of the Department of Transportation. The state ferry system received the lowest performance score from citizens, who represented all regions of the state.

Based on citizen feedback and our own research, we chose four audits at the Department of Transportation:

- Washington State Ferries
- Managing and Reducing Congestion in the Puget Sound
- Washington Department of Transportation Administration and Overhead
- Washington Department of Transportation Highway Maintenance and Construction Management

What happens after the audits are published?

The Department of Transportation is responsible for follow-up and corrective action on all performance audit findings and recommendations. The Department's plan for addressing each audit finding and recommendation was included in each audit report, in accordance with ESSB 6839.

The Office of Financial Management is required to receive periodic progress reports from the Department until all resolution has occurred and is responsible for achieving audit resolution. OFM must report the status of performance audit resolution to the appropriate legislative committees and to the State Auditor by December 31 of each year. The Legislature must consider the performance audit results in connection with the state budget process. The State Auditor may request status reports on specific audits or findings.

Electronic copies of all of the State Auditor's Office performance audits are available at: http://www.sao.wa.gov/PerformanceAudit/audit_reports.htm

About ESSB 6839

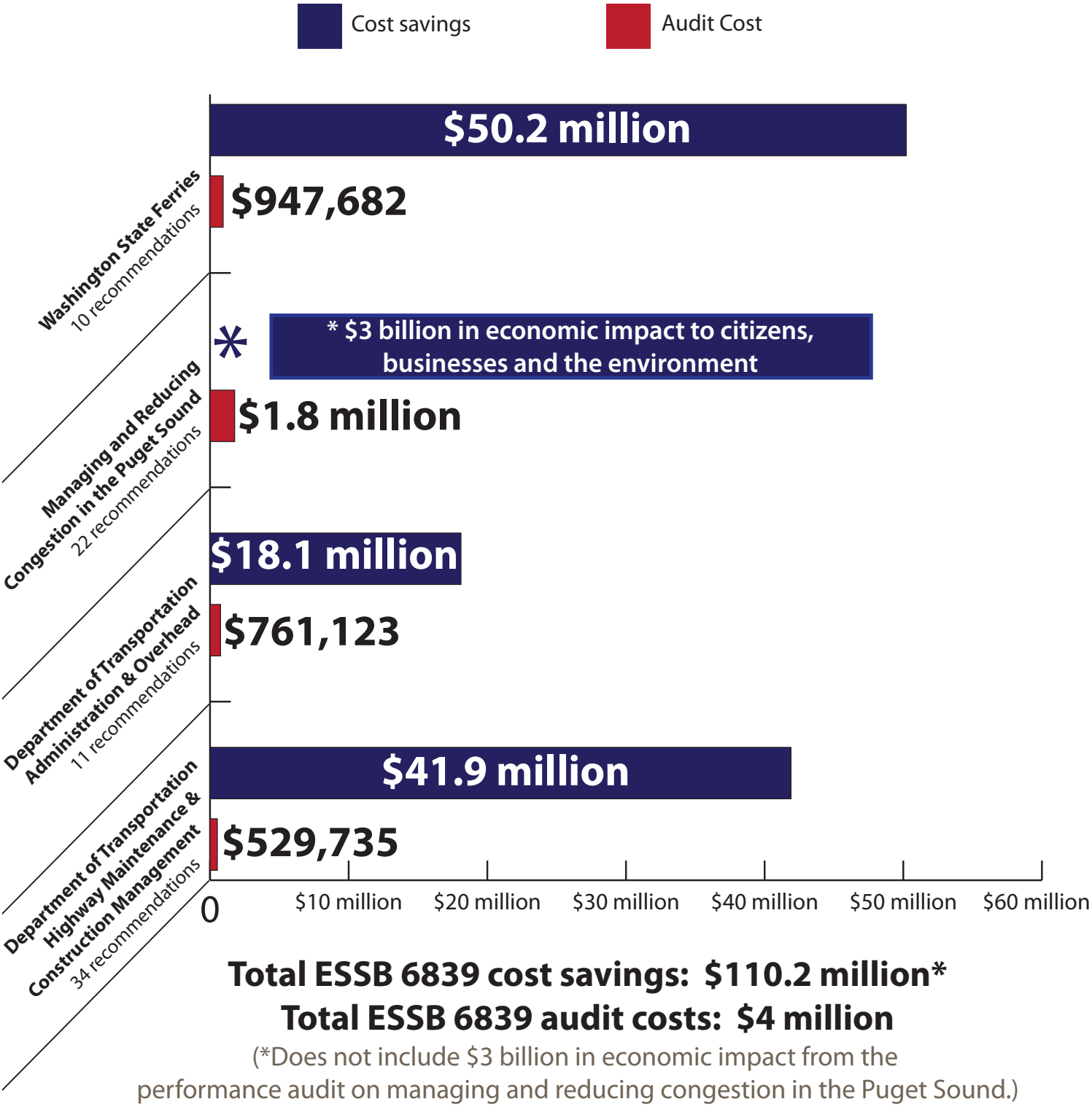
The complete text of Senate Bill 6839 is available on our Web site at www.sao.wa.gov/PerformanceAudit/generalinformation.htm.

Audit objectives under 6839

Specifies that the performance audits may include:

1. Identification of programs and services that can be eliminated, reduced, consolidated or enhanced.
2. Identification of funding sources to the transportation-related agency, to programs, and to services that can be eliminated, reduced, consolidated or enhanced.
3. Recommendations for improving, dropping, blending separating functions to correct gaps or overlaps.
4. Recommendations for pooling information technology systems used within the transportation-related agency, and evaluation of information processing and telecommunications policy, organization and management.
5. Analysis of the roles and functions of the transportation-related agency, its programs and services and its compliance with statutory authority and recommendations for eliminating or changing those roles and functions and ensuring compliance with statutory authority.
6. Recommendations for eliminating or changing state law, rules and policy directives as may be necessary to ensure that the transportation-related agency carry out reasonably and properly those functions vested in the agency by statute.
7. Verification of the reliability and validity of transportation-related agency performance data, self assessments and performance measurement systems, as required under RCW 43.88.090.
8. Identification of potential cost savings.
9. Identification and recognition of best practices.
10. Evaluation of planning, budgeting and program evaluation policies and practices.
11. Evaluation of personnel systems operation and management.
12. Evaluation of purchasing operations and management policies and practices.
13. Evaluation of organizational structure and staffing levels.
14. Evaluation of transportation-related project costs, including but not limited to environmental mitigation, competitive bidding practices, permitting processes and capital project management.

Transportation Performance Audits



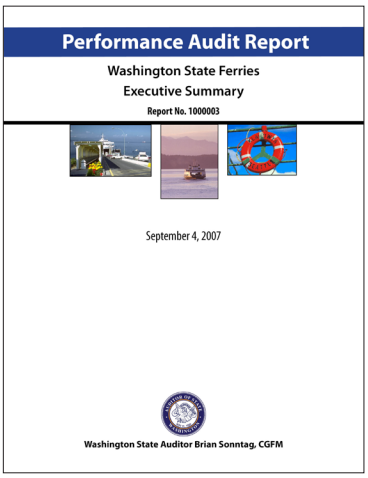
Total ESSB 6839 cost savings: $110.2 million*

Total ESSB 6839 audit costs: $4 million

(*Does not include $3 billion in economic impact from the performance audit on managing and reducing congestion in the Puget Sound.)

ESSB 6839 audits identified $27 in cost savings for every $1 spent on audit.

Overview of each audit


Performance Audit Report
Washington State Ferries
Executive Summary
Report No. 1000003
September 4, 2007
Washington State Auditor Brian Sonntag, CGFM

Washington State Ferries

Number of recommendations: 10

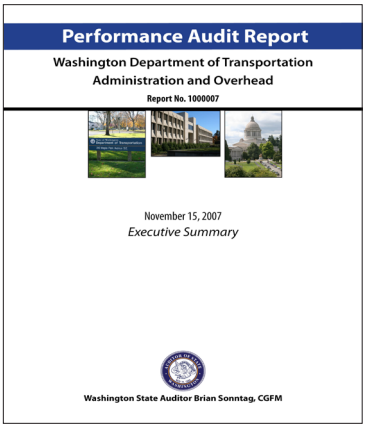
Audit scope: The audit examined two areas:

1. The functions and activities performed at WSF's Maintenance and Repair Facility at Eagle Harbor on Bainbridge Island
2. The level of service each ferry route provides to identify opportunities for cost savings related to fuel and labor.

The performance audit analyzed data from fiscal years 2004 through 2006.

Overall conclusion: Most of the recommendations focused on improving efficiency at the Eagle Harbor maintenance facility, including timekeeping practices, shift structures and overtime and performance management of staff. The 10th recommendation was to change the ferry schedule to reduce operational costs.

Cost savings: $50 million over five years.


Performance Audit Report
Washington Department of Transportation
Administration and Overhead
Report No. 1000007
November 15, 2007
Executive Summary
Washington State Auditor Brian Sonntag, CGFM

Washington State Department of Transportation's Administration and Overhead

Number of recommendations: 11

Legislative recommendations: The audit identified recommendations that require legislative action or changes to collective bargaining agreements.

Legislative Action
Payroll/Time Reporting: Change the current payroll structure to include 26 annual pay periods. Eliminate midperiod personnel changes by allowing changes only at the beginning of a pay period.

Internal Audit Reporting Structure: RCW 43.88.160 must be considered when changing the reporting structure. Other specific RCWs will depend on the outside organization selected. For example, if the Commission is selected, RCW 41.01.071 must be considered.

Collective Bargaining Agreement Changes

- HR Personnel Administration: Centralize the personnel administration function at Department headquarters.
- ONE-DOT: Changes made toward fully integrating the business functions currently performed by WSF and WSDOT must be considered individually. Each action must consider the potential requirement to alter current bargaining agreements.

Audit scope: The audit focused on six operational areas within the Department:

- Human resources
- Expenditure accounting
- Payroll
- Cash receipts
- Internal audit
- ONE-DOT (a finding and recommendation for the Department to operate as one unit. The Department currently functions as two distinct entities: WSDOT and Washington State Ferries.)

The performance audit evaluated data regarding the Department's administration and overhead operations from fiscal year 2006 and budget data for 2005 through 2007. Data for certain tests and analysis came from previous budget years.

Overall conclusion: The Department can improve the efficiency of its Human Resources and expenditure accounting through centralization of some key processes. The Department needs a new timekeeping process and to strengthen internal controls over cash receipting. The Department's organization structure can be improved by changing the reporting structure for its internal audit function and by integrating the operations of Washington State Ferries with those of the rest of the Department.

Cost savings: $18.2 million to $23.5 million over five years

Washington State Department of Transportation
Managing and Reducing Congestion in Puget Sound

Number of recommendations: 22

Legislative recommendations:

- Empower a single body — either the Department of Transportation or a regional transportation entity for the Puget Sound region — to allow for a more integrated approach to planning for congestion reduction.
- Choose/identify projects based on congestion reduction rather than other agendas.
- Implement new legislation to facilitate the expansion of road pricing in high-occupancy vehicle lanes should the Department's high-occupancy toll lane pilot be successful.
- Review whether new legislation is required for public-private partnerships for transportation infrastructure and implement any necessary changes.

Other recommendations: The audit identified one recommendation to the Department and regional transportation-related agencies

- Pursue potential enhancements to Interstate 5 through downtown Seattle.

Audit scope: The audit examined data on speeds, travel times and traffic volumes from 2001 through 2006 on five highways in the Puget Sound region:

- Interstate 5
- Interstate 90
- Interstate 405
- State Route 520
- State Route 167

Overall conclusion and cost savings: The audit identified actions and system improvements that could reduce hours of traffic delay by 15 percent to 20 percent — 12 million to 16 million hours — saving the average commuter some 10 hours of delay each year and the region some $300 million to $400 million in travel time and vehicle operating costs per year. The environmental and economic impacts of reduced vehicle emissions and improved access between employees and employers could potentially reach $300 million to $400 million, for a total economic impact to the Puget Sound region of $600 million to $800 million per year.

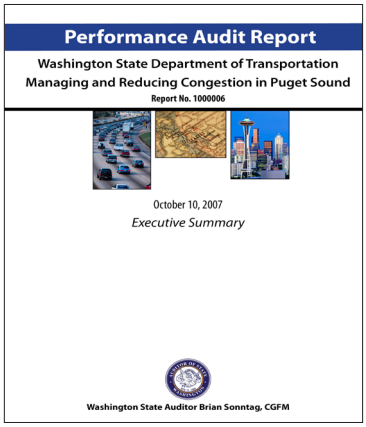
Actions that could be instituted over the next five years are:

- Investments to improve vehicle flow using existing infrastructure that can be funded using existing resources.
- Increasing efforts to have people use carpools, transit and telecommuting.
- Coordinating traffic lights on major arterials.
- Continuing to improve operational efficiency.

The audit found that in the long term:

- The ability to manage congestion will require new lanes of highway.
- A commitment to reducing congestion is needed from the Department and the Legislature, with goals and milestones that can be tracked, similar to what other states have done.
- Transportation investments in highways and transit should be measured, in part, by how many hours of delay can be reduced for each million dollars of investment.
- The Department should make reducing congestion a primary goal. Reducing congestion would complement the Department's current primary priorities, which are:
    - Safety
    - Maintenance
    - Preservation
    - Environment
    - Economic vitality

A clear commitment to reducing congestion — after meeting safety requirements — would likely shift investment decisions.


Performance Audit Report

Washington State Department of Transportation
Managing and Reducing Congestion in Puget Sound

Report No. 1000006

October 10, 2007

Executive Summary

Washington State Auditor Brian Sonntag, CGFM

Overview of each audit

Washington State Department of Transportation Highway Maintenance and Construction Management

Number of recommendations: 34

Legislative recommendations: The audit made two recommendations regarding low-bid restrictions on contract bids that require action from the State Legislature.

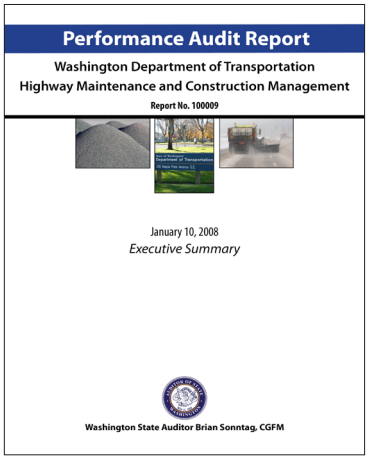
- We recommend the Department pursue legislative authority to use a performance contracting strategy for applicable projects.
- We recommend the Washington State Legislature modify current contracting requirements to allow performance-based contracting as appropriate.

Audit scope: The audit reviewed four program areas within the Department:

- Consumable inventory and supply management: What maintenance and construction materials are purchased, the method by which they are purchased and stored.
- Hot-mix asphalt: Purchasing practices of the material used for road repairs.
- Maintenance operations and revenue opportunities.
- Project delivery.

Cost savings: The Department could save $41.9 million on $15 billion worth of upcoming construction projects.

Overall conclusion: The Department is generally doing a good job of managing inventory and highway maintenance. There is a large backlog of maintenance work at safety rest areas that should be addressed through better tracking and resource allocation. The largest cost-savings could be achieved through the use of cost engineers on construction projects. Cost engineers aggressively manage all change costs during construction and maximize the cost-benefit of deployment through integrating activities such as cost report management and budget estimating.


Performance Audit Report
Washington Department of Transportation
Highway Maintenance and Construction Management
Report No. 100009
January 10, 2008
Executive Summary
Washington State Auditor Brian Sonntag, CGFM

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