

# PUBLIC TESTIMONY SUMMARY

## I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

### Sound Transit Link Light Rail Project (10/4/2007)

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As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits  
on October 22, 2007

*The performance audit being discussed at this hearing was conducted solely and independently by the office of the State Auditor, under the authority of legislation approved by the voters in Initiative 900. The State Auditor is elected directly by the people of the State of Washington and operates independently of the Legislature and the Joint Legislative Audit and Review Committee. Staff to the Joint Legislative Audit and Review Committee prepare a summary of public testimony on State Auditor reports. These summaries are for informational purposes only, and do not serve as an assessment by committee staff of the findings and recommendations issued by the State Auditor nor do they reflect a staff opinion on legislative intent.*

<b>Title:</b>	<b>Sound Transit Link Light Rail Project</b>
<b>Audit Scope and Objectives:</b>	<p>Auditors reviewed data from 1996 through 2007 that pertained to the Link Light Rail project contained in Sound Move, the original project voters approved in 1996. Data included land acquisitions, engineering, contract awards, contract management and cost estimating. The Tacoma Link was not reviewed as part of the audit. The audit's scope did not include a review of Sound Transit's long-term financial viability or effectiveness.</p> <p>The audit lists three objectives in addition to the nine objective elements in Initiative 900. These objectives were designed to ask the following questions. Is Sound Transit effectively planning, designing and managing its Link Light Rail Project in order to:</p> <ul style="list-style-type: none"><li>• Minimize all costs associated with the project, including, but not limited to engineering, land acquisition, environmental review, permitting and construction?</li><li>• Minimize unnecessary change orders and delays that result in extra costs?</li><li>• Ensure the light rail project most closely resembles the project that was communicated to voters in 1996?</li></ul>

<p><b>SAO Findings:</b></p> <p>The audit identifies three overarching findings:</p> <ul style="list-style-type: none"> <li>• Sound Transit was unable to complete the Link Light Rail Line at the cost and within timeframes communicated to voters in 1996;</li> <li>• Sound Transit initially lacked procedures for land acquisition, environmental compliance, permitting and construction management, contributing to its inability to meet project costs and timeframes communicated to voters in 1996; and</li> <li>• Sound Transit has extensively improved its construction planning and management practices since 2002.</li> </ul> <p>The audit also includes a series of more detailed findings.</p> <p>The audit identified \$5M in unnecessary expenses and fines.</p>	<p><b>SAO Recommendations:</b></p> <p>The audit contains 20 recommendations, the majority of which are directed to Sound Transit. Since Sound Transit is an independent local government, the agency and its Board of Directors have responsibility for considering these recommendations.</p> <p>The report also includes one recommendation to the Legislature:</p> <p>We recommend that the Washington State Legislature modify current contracting requirements to allow performance based contracting as appropriate (Recommendation 14.a).</p>
<p><b>Agency Responses in Audit Report?</b></p>	<p>Yes</p>
<p><b>Legislative Action Requested?</b></p>	<p>Yes, for Recommendation 14.a.</p>

**Staff Summary of Testimony from Audited Agencies:**

The audit has three overarching findings. The first is that Sound Transit was unable to complete the rail line as communicated to voters in 1996; this is a long-told story. The second relates to Sound Transit as a start-up agency, and we did not have the systems and controls in place that we should have had. We appreciate the third finding that acknowledges how much the agency has improved in the last five years. The new systems we put in place have performed well. The plan communicated to voters in 1996 was for 21.3 miles and 24 stations. What is actually being delivered is 20.4 miles and 20 stations.

We agree that many of the issues we’ve had to deal with can be lessons learned for other agencies dealing with complex construction projects. Sound Transit got off to a rough start, and we have apologized many times over for it. We are about to go into construction on the next part of the system, and we have integrated the lessons learned into this next stage. The audit found a potential savings of \$5 million on a \$2.7 billion project. In terms of the recommendation to the Legislature to allow alternative contracting practices, we feel we have flexibility now but would be happy to have more tools. We have a difference of opinion about the recommendation calling for annual outside performance audits. We will report back to the State Auditor on this audit next July, and Sound Transit will also be the subject of a different performance audit by the State Auditor next year.

**Staff Summary of Testimony from Other Parties:**

We are pleased with the progress on I-900. The State Auditor has selected agencies that are consistent with what we intended with the initiative. However, these performance audits will

only be taken seriously if the Legislature takes them seriously. Sound Transit promised one thing in 1996 and is delivering something radically different ten years later, yet the agency runs ads saying the project is on time and under budget. When it created Sound Transit, the Legislature did not include the same level of accountability such as the Legislature itself has with the direct election of members and the referendum/initiative process offering checks and balances. The Legislature needs to step up and reform this agency. At the public hearing held by Sound Transit, the agency was dismissing this audit report.

Sound Transit is not delivering on the promises made to voters in 1996. The audit shows that the agency has been unable to control project costs or timelines. Sound Transit's cost estimates cannot be relied on in the future. A problem with this audit is the audit scope, which excluded operations, planning, designing, or management of project outside the Link Light Rail Project and did not review projects that were in dispute. The audit asked if Sound Transit minimized costs associated with the project; if Sound Transit minimized unnecessary change orders and delays; and if Sound Transit ensured the project most closely resembles the project communicated to voters in 1996. The answer to all three questions is, "No." Given these answers, the audit scope required the auditors to determine the resulting costs and what can be done to reduce these costs, and we cannot find that information in the audit. We cannot find evidence in the audit or the work papers whether lessons were actually learned. The testimony provided by Sound Transit today conflicts with information the agency sent us regarding how much of the project is complete. Also, Sound Transit or its predecessor passed a resolution calling for annual comprehensive performance audits, and these are not being conducted.

Since the 45<sup>th</sup> Legislature pioneered the concept of comparative cost/benefit analysis for transportation programs, the history of state policy-making in this area has focused on cost-effectiveness. Unfortunately, Sound Transit has never conducted either the detailed studies or the comparative analyses for heavy rail required by statute. The Puget Sound Regional Council has been stonewalling mandatory development of least-cost planning methodology for over 13 years, and the Regional Transportation Investment District disregarded its HOV to HOV connectivity obligations. The performance audit points out that Sound Transit has violated its legal obligation to conduct a comprehensive independent performance audit. The promises made to over 2.6 million taxpayers have been violated continuously by the agency for over 11 years. This performance audit is inadequate, failing in its initial Yellow Book obligation to establish the legal context in which these failures have occurred. In addition, the agency has defrauded the three counties, the taxpayers, and the state Supreme Court. The Legislature should exercise its oversight and continue investigation of this agency, using this performance audit as an initial step.

**Agencies Testifying:**

Sound Transit (Joni Earl, Chief Executive Officer)

**Other Parties Testifying:**

Tim Eyman, Voters Want More Choices  
Bob Williams, Evergreen Freedom Foundation  
Will Knedlik, Truth in Taxation