

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR’S PERFORMANCE AUDIT:

Washington State Ferries (9/4/2007)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on September 26, 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.

Title:	Department of Transportation Washington State Ferries
Audit Scope and Objectives:	<p>The performance audit analyzed data from June 30, 2004, through June 30, 2006. The auditors conducted an initial risk assessment of the entire Washington State Ferries (WSF) agency to identify the best opportunities for improvement. The auditors determined two audit areas:</p> <ul style="list-style-type: none"> • The functions and activities performed by WSF’s Maintenance Department, specifically the Eagle Harbor Repair Facility, which bears the main responsibility for vessel maintenance and preservation. • The capacity and efficiency of ferry routes, in order to identify opportunities for cost savings related to fuel and labor. <p>In terms of objectives, the report lists the nine objective elements of Initiative 900 and 14 elements from ESSB 6839 (2006).</p>
SAO Findings: The report has 10 findings:	SAO Recommendations: The report has 10 recommendations, primarily to the Department of Transportation (DOT). The report identifies two recommendations for legislative action if the Department fails to make changes or it and other parties are unable to do so (Recommendations 3 and 10).
<ol style="list-style-type: none"> 1. Eagle Harbor’s hours of service do not efficiently match the needs of WSF vessel and terminal maintenance demands. 2. Eagle Harbor could reduce the amount of time charged to indirect work codes. 	<ol style="list-style-type: none"> 1. Reduce indirect and overtime charges by Eagle Harbor staff.

SAO Findings (cont):	SAO Recommendations (cont):
<p>3. Less than 2 percent of the positions at Eagle harbor are filled by WSF management.</p> <p>4. Eagle Harbor work practices allow considerable flexibility in managing maintenance staff, creating weaknesses in control and accountability of staff performance and costs.</p> <p>5. Eagle Harbor has insufficient performance indicators and metrics for assuring appropriate management of resources.</p>	<p>2. Improve and strengthen overall management of Eagle Harbor.</p>
<p>6. Except in emergencies, WSF maintenance personnel lack priority-loading privileges while traveling to perform maintenance tasks. This may require them to wait for a later boat and thus incur unnecessary time charges.</p>	<p>3. Eliminate the no-priority boarding policy for Eagle Harbor staff.</p>
<p>7. The timekeeping process at Eagle Harbor is a manual, labor-intensive, non-standardized, and inefficient process.</p>	<p>4. Standardize timekeeping procedures.</p> <p>5. Eliminate dual entry of timecard data at Eagle Harbor.</p>
<p>8. WSF lacks a comprehensive set of standardized business processes, policies, and maintenance tasks.</p>	<p>6. Document key business processes.</p> <p>7. Develop a comprehensive maintenance training program.</p> <p>8. Implement a rigorous quality control/quality assurance program.</p>
<p>9. There is a lack of communication and information exchange among departments at WSF, which has the potential for causing financial management risk and business inefficiencies.</p>	<p>9. Establish an Agency-Wide Task Force to Facilitate Data Sharing and Exchange.</p>
<p>10. WSF provides a level of service above what traffic volumes demand.</p>	<p>10. Change WSF's ferry service schedule to reduce operational losses.</p>
<p>Agency Responses in Audit Report?</p>	<p>Yes. Responses from the Department of Transportation and the Office of Financial Management are dispersed throughout the report rather than contained in a single appendix.</p>
<p>Legislative Action Requested?</p>	<p>Appendix B of the report indicates that the Legislature should take action on Recommendations 3 and 10 if the Department fails to modify an administrative rule for Recommendation 3 and for Recommendation 10 if various parties are unable to change the ferry service schedule to reduce operational losses.</p>

Staff Summary of Testimony from Audited Agencies:

This is one of four SAO audits underway of the Department of Transportation. We worked hard to provide the data that the Auditor needed for this study. One of the recommendations is better integrating the ferry system into the Department. We have taken steps to strengthen those connections, so you are seeing benefits from the audit already.

The two areas in the study are business practices and service delivery. For the first area, this is updating the business practices at Eagle Harbor. Matters such as timekeeping and performance measurement needed to be brought into the 21st Century. We immediately changed some

practices. Another of the SAO audits is looking at the topic of timekeeping agency-wide, so some of the ferry audit recommendations will be held over for that agency-wide consideration. For the second area, cutting ferry runs saves money. It is a contentious issue for communities who rely on the service and for people trying to deal with funding the ferry system. The Legislature's Joint Transportation Committee (JTC) is currently looking at how to make the ferry system financially stable and sustainable. This audit's service cut recommendation cannot be taken in isolation from this other effort. Our recommendation is that this issue be folded into the JTC study. The ferry system is part of the state highway system. This is an island community's opportunity to get back across that state highway, even when a boat is not full.

The audit notes there are 16 labor unions and nine collective bargaining agreements. One recommendation in the report is to move to two shifts at Eagle Harbor. We will look at that. There may be some issues that were not completely covered by the auditors. Changes would have to be negotiated through the labor contract. A second topic is the level of management oversight and supervision. This is also subject to some collective bargaining. We may not need to add managers to address some of the concerns raised in the audit, but we will look at this in the collective bargaining process. We compliment the report for its focus on performance measures. With regard to service levels, we need to work with riders, communities, employees, legislators, and the Transportation Commission to figure out that balance between efficiency and appropriate customer service levels.

Staff Summary of Testimony from Other Parties:

This is the latest in a series of embarrassing audits about the management of the state ferry system. The ferry system has a long history of ignoring audits. There have been 40 audits or whistleblower investigations since 1988. OFM and the Transportation Committees have failed to take these past audits into consideration. JLARC is not the committee that has budget and policy oversight of these issues. It is disappointing that the Transportation Committees are not holding public hearings on this audit. Previous audits have also had findings regarding ferry runs and issues such as provisions in the labor contracts. The audit shows serious management problems that should be addressed long before April of next year. The Legislature and the Governor need to take action.

There are a series of examinations underway by the Transportation Commission, the Joint Transportation Committee, the Department, and the ferries agency itself on financial stability. I urge you to allow this process to work through and consider these audit findings in the context of these financial studies as well as a survey of users which the Commission is just beginning to conduct. The savings projected from changing service levels are large but ignore policy and technical realities, such as the differences between changing service levels on a bus route versus a ferry route. Two specific items in the report are not true. The first is that certain ferry runs are made solely because of labor contracts. The second is the allusion to airlines and their ability to consolidate passengers.

The public has to have an expectation of reliability regarding ferry service and schedules. The routes and frequencies talked about in the report are dealt with in a cavalier fashion. These changes would affect real people doing real jobs and having real needs for service.

Agencies Testifying:

Department of Transportation (Paula Hammond, Interim Secretary)
Office of Financial Management (Victor Moore, Director)

Other Parties Testifying:

Bob Williams, Evergreen Freedom Foundation
Robert Distler, Washington State Transportation Commission but speaking on his own behalf