

# PUBLIC TESTIMONY SUMMARY

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

### Washington Department of Transportation Highway Maintenance and Construction Management (January 10, 2008)

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As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits  
on February 20, 2008

*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 & Review Committee. Staff to the Joint Legislative Audit & 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: Washington Department of Transportation Highway Maintenance and Construction Management**

**Audit Scope and Objectives:**

The audit reviewed four program areas in the Department: 1) consumable inventory and supply management; 2) hot-mix asphalt purchasing practices (the material used for road repairs); 3) maintenance operations and revenue opportunities; and 4) project delivery. The audit field work was conducted from June 2006 through March 2007. The audit does not cover consumable inventory or maintenance operations related to Washington State Ferries.

In terms of objectives, the report notes the objectives contained in ESSB 6839 (2006) and in Initiative 900. Also under objectives, the report indicates that the audit was designed to answer the following four questions:

- 1) Is WSDOT's Consumable Inventory and Supply Management system meeting the operational needs of the Department efficiently and effectively? If not, what is the effect and what actions and solutions can occur to correct these deficiencies?
- 2) Is WSDOT's current procurement strategy for hot mix asphalt, used for road construction maintenance, as well as current state legislation, effective in optimizing hot mix asphalt supply chain costs? If not, what is the magnitude of the possible cost savings for state and local governments and what can be done to achieve them?

- 3) Are WSDOT’s maintenance-operations as efficient as possible based on best practices identified at other state transportation agencies or the private sector? If not, what is the magnitude of the opportunity lost in terms of cost, and what can be done to correct it? Are DOT revenue opportunities from advertising and vending machines at rest areas maximized based on best practices at other state transportation agencies? If not, what is the magnitude of the opportunity lost in terms of revenue, and what can be done to correct it?
- 4) In the area of highway project delivery and project management, is WSDOT:
- Effectively managing its highway projects in order to minimize engineering costs, environmental and permitting costs, other costs and unnecessary change orders that result in extra costs? If not, what is the magnitude of the opportunity lost in terms of cost, and what can be done to correct it?
  - Effectively managing its highway projects in order to minimize unnecessary delays in project completion? If not, what is the magnitude of the opportunity lost including cost, and what can be done to correct it?
  - Accurately, completely and effectively tracking costs by project, including but not limited to: engineering, contractors, land acquisitions, archaeological efforts, environmental compliance and permitting, any other direct project costs which should be captured and tracked at the project level? If not, how does the absence of this information affect WSDOT efficiency, effectiveness and decision making and what can be done to better track costs?

<b>SAO Findings:</b>	<b>SAO Recommendations:</b>
The report has 34 findings, organized by the four program areas.	The report has 34 recommendations, organized by the four program areas.
<b>Consumable inventory supply management:</b> There are five findings in this program area (#1 - #5).	There are five recommendations to WSDOT in this program area.
<b>Hot-mix asphalt procurement:</b> There are four findings in this program area (#6 - #9).	There are four recommendations to WSDOT in this program area.
<b>Maintenance operations and revenue opportunities:</b> There are 11 findings in this program area (#10 - #20).	There are 11 recommendations to WSDOT in this program area.
<b>Project delivery and capital project management:</b> There are 14 findings in this program area (#21 - #34).	<p>There are 13 recommendations to WSDOT in this program area.</p> <p>Recommendation #23 is directed to both WSDOT and the Legislature, recommending that:</p> <ul style="list-style-type: none"> <li>• WSDOT pursue legislative authority to use a performance contracting strategy for applicable projects;</li> <li>• The Legislature modify current contracting requirements to allow performance-based contracting as appropriate.</li> </ul>

<b>Agency Responses in Audit Report?</b>	Yes, in Appendix E.
<b>Legislative Action Requested?</b>	Yes, as part of Recommendation #23 above.

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

The audit recognizes some of the best practices of the agency. The report also notes the efforts of the staff in the maintenance program. As we are adding \$16 billion of new capital investments, it is important to consider how to have good maintenance. In purchasing and procurement, the audit also recognized the Department’s best practices. We have made great strides in project management and are pleased that the auditors recognized that.

The congestion audit recognized the need for more investment in congestion relief. This audit notes the need for more investment in maintenance and preservation. Clearly we need both, and we agree with the audit’s conclusion that we need to protect our investment. We are in the middle of the largest construction program in the state’s history. The maintenance budget has actually decreased in the last ten years. As we are adding these new lanes miles, we must be aware that we are also adding to the lane miles that will require maintenance. Decreasing the maintenance budget while increasing lane miles is not an appropriate investment strategy to protect our assets. The audit points out that we are nationally recognized for our maintenance program operations. With regard to deficiencies in management systems, information technology systems often do not compete well with other program needs in the budget process. This audit may help make the case for investment in these IT systems.

In response to the audit, WSDOT has developed an action plan with a timeline and 65 specific actions we plan to take.

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

This hearing is taking place ten days after the deadline established by law and one day after a key date by which bills must pass their house of origin. State law requires the Legislature to consider the State Auditor reports as part of the appropriation process. A key recommendation in this most recent audit is for the Legislature to modify contracting processes. How can legislators consider this and the other audit findings when no hearings have been held to discuss them? The Auditor notes in his cover letter that the Legislature must exercise its oversight authority if the findings are to have meaning. The four transportation audits have identified more than \$3 billion in cost savings over the next five years, many of which can be done within existing resources. Though JLARC does not have jurisdiction over transportation policy, we ask you to urge the Transportation Committees to hold hearings on these audits. Given the percentage of DOT employees working in administration and overhead, we are paying for too many employees or extra hours that could be used for more productive tasks. The audit points out that DOT is facing a shortage of 450 engineers and project managers. The Department does not have an action plan to address this problem, and the Legislature has shown no interest. Public-private partnerships are an alternative to hiring new full-time employees for such things as maintaining rest areas. With the newly downgraded revenue forecast and a \$2.4 billion projected deficit next biennium, the cost savings identified in these performance audits are more vital than ever. Don’t allow these audits to fall by the wayside.

**Agencies Testifying:**

The Department of Transportation (Paula Hammond, Secretary of Transportation; David Dye, Chief Operating Officer)

The Office of Financial Management (Victor Moore, Director)

**Other Parties Testifying:**

Amber Gunn, Evergreen Freedom Foundation