



# WSDOT's Tolling Program: Lessons learned

*A performance audit report from the Washington State Auditor's Office*

August 2, 2013

## Delays creating a statewide all-electronic tolling system

Washington is one of just a handful of states that have successfully established a statewide all-electronic tolling system. The system is fully operational, and through March 2013, has collected more than \$67 million to help pay for the new SR 520 bridge. However, Washington began collecting tolls nine months behind schedule, a delay that represents a lost opportunity to collect an additional \$40 million in tolls. Project delays and issues creating the new system caused public confusion.

We found the Washington State Department of Transportation (WSDOT) faced challenges managing a complicated project that involved collaboration across the department, where roles and responsibilities were unclear, including who made decisions, who was accountable, and how the vendor was to be managed.

WSDOT has taken some steps to address these issues, and it is important it continues to take action to resolve these challenges because tolling is central to the department's ability to pay for large construction projects. The Legislature has authorized additional tolling projects on SR 99, I-405, and the I-5 Columbia River Crossing, and others will be considered in the future.



## ISSUES CREATING A NEW STATEWIDE TOLLING SYSTEM



- Technology barriers
- Disagreement about needs
- Tight deadline
- Unclear & ineffective management

## CONSEQUENCES



Project delays



Lost opportunity to collect \$40 million



Public confusion

## RECOMMENDATIONS



Secretary ensures clear expectations for future tolling projects



The Toll Division needs clear decision-making authority



The Toll Division establishes policies and procedures for managing complex projects

## Pressure Points Magnified the Project's Challenges

Three factors created a high level of risk to the project's success.

**Technology barriers** – WSDOT wanted a statewide system that would be easy for customers to use on multiple highways and bridges. However, because Washington state law requires precise accounting to track tolls collected at each facility, the system needed more advanced accounting elements than those already used in other states. These elements went beyond what the tolling industry had previously delivered.

**Disagreements about needs** – WSDOT project stakeholders disagreed about whether they should treat project deliverables as if they were purchasing a service, or an IT product. WSDOT's vendor did not immediately realize, nor did WSDOT recognize the vendor's lack of understanding of the accounting system needs until several months into the project, which complicated project planning and vendor management.

**Tight deadline pressure** – The Federal Highway Administration paid for the new tolling system under a grant designed to support innovative methods to ease traffic congestion. These grants were intended for projects that could be completed quickly. The grant agreement included a specific SR 520 tolling start date. WSDOT feared that failing to meet that date would result in the loss of federal funding. Although the Federal Highway Administration extended the deadline several times to meet WSDOT's needs, the deadline pressure affected WSDOT's project management decisions.

# WSDOT's Tolling Program: Lessons learned

## Unclear Management Approach Complicated an Ambitious Project

WSDOT did not fully follow the requirements outlined in the State Administrative and Accounting Manual including adequately planning for and managing project risk, proactively managing the project, and holding the vendor accountable throughout the project.

WSDOT created the Toll Division while this project was under development in 2009 to manage its tolling program and collaborate across the department with multiple divisions and offices on tolling projects.

For this project, WSDOT's Toll Division lacked the executive support, decision-making authority, and the policies and procedures needed to develop the statewide all-electronic tolling system and start tolling the SR 520 Bridge on schedule. These management challenges were magnified by an ambitious project, uncertainty about its demands, and a tight deadline tied to a \$154 million federal grant.

## Washington's tolling system is unique

- **All-electronic capability:**  
Does not require toll booths
- **Statewide:**  
Collects tolls at multiple facilities on one account
- **Accounting:**  
Most comprehensive system in the country

**"The authority for full decision-making has never been given to the Tolls Division."**

--Tolling Expert Review Panel Report, August 2011

**Incorporating risks** – Although WSDOT identified numerous risks to the project's success, it did not fully integrate those risks into project development and management, and its vendor selection process. For example, all vendors received low overall scores and WSDOT selected a vendor that scored very low on its proposed technical accounting approach, a known high-risk area. When the vendor subsequently struggled to perform, WSDOT was not prepared with contingency plans.

**Managing the project** – WSDOT struggled to proactively manage both the project and the vendor. It developed a sound project management plan, but did not always follow the plan and did not update it to reflect changes. Some internal stakeholders disregarded the plan by communicating directly with the vendor. When the project management structure was changed, the plan was not updated and the vendor received conflicting direction, causing further delays.

**Holding the vendor accountable** – As the vendor struggled to understand project requirements and meet project deadlines, WSDOT conducted less project oversight as it became more involved in the vendor's work. Because WSDOT's primary goal was to have an operational system, it delayed assessing damages and did not apply all available financial penalties for poor performance. As the system neared completion, WSDOT reduced vendor payments to cover additional costs caused by the delay. Once it started collecting tolls on SR 520, WSDOT reached a financial settlement with the vendor.

## Summary Recommendations

To improve WSDOT's management of future tolling projects and to minimize the risk of project delays, we recommend:

1. The Secretary ensure roles, responsibilities, and decision-making authority are clear for projects managed by the Toll Division.
2. The Assistant Secretary for Tolling establish policies and procedures to guide the development and implementation of tolling projects.
3. The Department of Transportation report on its progress implementing these recommendations to House and Senate Transportation Committees and the Office of Financial Management, as required in the 2013-2015 transportation budget.