

State of Washington
Joint Legislative Audit and Review Committee (JLARC)



Review of Accountability
Mechanisms for Washington State
Department of Transportation

Report 05-15

August 7, 2005

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The Transportation Performance Audit Board (TPAB) conducts performance measure reviews and identifies performance audits to be undertaken for transportation agencies. JLARC staff conduct performance audits on behalf of TPAB. Board members include the majority and minority members of the House and Senate transportation committees, five citizen members with transportation expertise, one at-large member, and the Legislative Auditor in ex-officio capacity. TPAB's statutory authority is established in RCW 44.75.

REVIEW OF
ACCOUNTABILITY
OVERSIGHT
MECHANISMS FOR
WSDOT

Conducted for the
Transportation
Performance Audit
Board

REPORT 05-15

REPORT DIGEST
AUGUST 7, 2005



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Study Mandate

In January 2005, the Transportation Performance Audit Board (TPAB) requested that the Joint Legislative Audit and Review Committee (JLARC) assess the various state government-sponsored performance oversight initiatives related to the Washington State Department of Transportation (WSDOT), with the goal of identifying the alignment and overlap among them. The study reviews the agencies, boards, commissions, and committees that review the performance of WSDOT, and discusses specific issues related to assessing WSDOT's capital project delivery.

Background on Changes to Governance of WSDOT

As a result of legislation passed during the 2005 Legislative Session, the accountability structure for WSDOT will change effective July 2005:

- The Governor — not the Transportation Commission — will appoint the Secretary of WSDOT. As a result, the role of the Governor and cabinet management initiatives will become prominent for direction of WSDOT.
- Legislative Transportation Committee (LTC) will dissolve and staff support to TPAB will be shifted to the Transportation Commission.
- TPAB membership will expand to include a representative from the Transportation Commission and the State Auditor.
- The State Auditor, in addition to TPAB, also will have the authority to independently conduct performance audits of transportation agencies.

These recent changes mean the accountability structure will be evolving, and new players will be introduced to transportation programs. This review addresses the current accountability system, but it also looks forward to issues related to forthcoming changes under the new governance structure.

Oversight Entities Prior to July 2005

Several entities now play an accountability role with WSDOT: TPAB, JLARC, LTC, legislative policy committees, the State Auditor, the Office of Financial Management (OFM), the Office of the Governor, and the Transportation Commission. These agencies, boards, and committees currently fall into one of three distinct "zones" of responsibility: management direction, performance audit/evaluation, and fiscal audit/internal control. There are some additional entities overseeing WSDOT compared to other agencies, but several of them have an identical oversight role that is applicable to any executive branch agency. However, because gas-tax funding is dedicated to transportation programs, oversight of WSDOT is unique compared to many other government agencies.

There has currently been little overlap among the three zones of responsibility, though within each zone some roles have overlapped. The area with the greatest *potential* for duplication of effort or inconsistent direction is management direction from the Commission, the Governor, and OFM. However, in practice this intersection did not result in redundancy or inconsistency. WSDOT reports performance quarterly to the public, Legislature, and others in the "Gray Notebook." WSDOT has limited the redundancy of performance reporting by focusing external oversight entities on using the same information that is contained in the Gray Notebook.

Role of Oversight Entities After July 2005

The new governance structure will result in additional overlap and tighter linkages among some entities. Also, the separation between the three zones of responsibility will become less distinct. The Commission will have duties that relate both to management direction and auditing, and the State Auditor will have duties that relate to both financial auditing and performance auditing. These changes will include opportunities to coordinate the expectations of various entities. These changes will also present a risk that approaches by different parties could become inconsistent.

Project Delivery Performance Data

WSDOT continues to move from a program-focused to a project-focused approach for managing and reporting the delivery of capital improvements and preservation. While there is substantial information about the status of capital delivery published in external reports, it tends to be qualitative in nature, limited to certain projects, or programmatic instead of project-specific. The existing externally available information by itself is not sufficient to comprehensively assess the Department's success delivering capital projects on a project-by-project basis.

TPAB's effort to obtain improved project-specific performance measures is occurring at the same time that staff from OFM, the Governor's Office, and the Legislature are seeking similar information. JLARC is delaying specific recommendations for TPAB's information requests on project delivery in order to ensure direction provided to the Department is coordinated with other entities.

Conclusions

- The new governance structure that takes effect July 1, 2005, poses greater risks that various oversight entities will hold inconsistent performance expectations. There will be a need for more coordination among these entities when roles change.
- The impact on WSDOT's workload for performance reports is unknown at this time because of ongoing efforts by multiple entities to develop reporting expectations.
- The role of the Commission includes some potential conflicts and duplication that should be examined more fully as the Governor and Legislature study appropriate responsibilities.
- A clear understanding of the goals and expectations for WSDOT performance will help ensure entities approach their oversight roles consistently.
- There are limitations to currently published project delivery information, and WSDOT's reporting capacity is limited by a lack of interfaces between automated management and financial systems.

Summary of Recommendations

Recommendation 1 – The Transportation Performance Audit Board and the State Auditor should collaborate on developing the 2005-07 audit work plans for each organization.

Recommendation 2 – The Office of the Governor should include an assessment of independence requirements for the Transportation Commission's role supporting TPAB, as part of the upcoming study of Transportation Commission and WSDOT responsibilities.

Recommendation 3 – Staff supporting TPAB, the Legislature, OFM, the Office of the Governor, and WSDOT should collaborate on developing standardized performance measures for delivering transportation projects.

Recommendation 4 – The Washington State Department of Transportation should add statistics to its quarterly status reports regarding the proportion of capital projects for which standardized performance data (cost and schedule progress) is available.

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CHAPTER ONE – STUDY MANDATE

The Legislature established the Transportation Performance Audit Board (TPAB) with the passage of Substitute Senate Bill 5748 during the 2003 Legislative Session. TPAB is authorized to conduct performance reviews and performance audits of transportation agencies. The Legislative Transportation Committee (LTC) provides staff support and funding for TPAB reviews and audits. The 2003-05 biennial transportation budget earmarked funds in the LTC appropriation specifically for TPAB studies.

State law currently directs the Joint Legislative Audit and Review Committee (JLARC) to conduct performance audits on behalf of TPAB. TPAB recommends specific audit topics to LTC and, upon approval, assigns those study topics to JLARC.

In January 2005, TPAB recommended JLARC review certain accountability issues related to the Washington State Department of Transportation (WSDOT):

1. Assess whether inconsistent direction is provided to WSDOT by the entities — state agencies, boards, committees, and commissions — that have an accountability role for WSDOT, and determine whether there is duplication of effort in these roles.
2. Develop an approach to help TPAB periodically evaluate WSDOT’s success delivering capital projects.

This review identifies recommendations to help TPAB coordinate its oversight functions with other entities, issues the Office of the Governor and Legislature should consider when studying the responsibilities of the Transportation Commission, and recommendations for monitoring WSDOT’s ability to provide data on project delivery performance. These recommendations are addressed in Chapter Seven. The appendices include the following:

- a. The full scope and objectives for the study,
- b. Current legislation on transportation goals,
- c. Investment criteria to be assessed in the near future by TPAB, and
- d. Lessons learned on recent studies and reviews of performance measures and goals.

CHAPTER TWO – BACKGROUND ON NEW CHANGES TO GOVERNANCE OF WSDOT

Dramatic Changes to WSDOT Governance are Pending

Soon after this review was initiated in January 2005, legislation was introduced in the Washington State Senate to dramatically change the governance of WSDOT. Governor Gregoire signed Engrossed Senate Bill 5513 in May 2005, and it will become effective July 1, 2005. This report includes a review of the governance and oversight system in place through June 2005. However, it is perhaps even more important to provide some background about how these factors will change under this new legislation.

For decades, a commission-secretary structure has governed WSDOT.¹ The Washington State Transportation Commission is composed of seven members, whom the Governor appoints to six-year terms. State law includes residency and political requirements for commissioners in order to establish a bipartisan and geographically representative commission. The Commission serves as a governing board that sets policy to guide WSDOT. The Secretary of Transportation is the executive of WSDOT and is appointed by and responsible to the Commission.

Under ESB 5513, the secretary continues to be the chief executive for WSDOT, but will be appointed by and responsible to the Governor instead of the Commission. While the Commission will no longer have a direct management-oversight role, it will continue to be responsible for conducting certain planning processes, for selling bonds authorized by the Legislature, and for serving as WSDOT's tolling authority. It will also be responsible for soliciting public involvement for transportation programs, making policy recommendations, conducting studies, and providing staff support to TPAB.

Role of the Governor Will Become Prominent

Historically, the Governor's office has played a limited role in WSDOT policy and management. When the new legislation takes effect, however, the Governor's management policies will have a prominent and required role at WSDOT.

Two specific management initiatives of the Governor's office will affect the way WSDOT manages, sets priorities, and reports on the performance of its activities and programs.

- **Government Management Accountability and Performance (GMAP)** was instituted during the 2005 Legislative Session with legislation passed at the request of Governor Gregoire. The initiative will require agencies to conduct regular management meetings with the goal of integrating performance reporting and data-based analysis into operational decision-making.

¹ This structure is relatively uncommon among state agencies. Other examples include the Governor-appointed Washington Fish and Wildlife Commission, which hires the director of the Department of Fish & Wildlife. Also, the Governor appoints the governing boards of public colleges and universities, which hire institutions' presidents.

Agencies will be required to visibly demonstrate how management decisions relate to performance outcomes.

- **Priorities of Government (POG)** is an initiative established by former Governor Locke and which Governor Gregoire has chosen to continue. The process identifies which government programs are the state's highest priorities. Agencies submit budget requests based on activities and performance measures that support the priorities. POG is intended to broaden the focus of budget development from individual agencies to a statewide perspective. Recent legislation has made POG a mandatory practice and requires agencies to integrate performance measurement into the budget development process.

The implementation of these initiatives will be essential to changes in the oversight of WSDOT. However, the specific details about how POG and GMAP will be put into effect at WSDOT are not yet known. Under the previous administration of Governor Locke, WSDOT voluntarily participated in the POG process.

Other Changes and New Players Mean Roles Will Still Be Evolving

The Legislature may again modify the division of duties between WSDOT and the Commission during the next legislative session. The Governor vetoed a provision of ESSB 5513 that directed a new Joint Transportation Committee to study the division of roles between WSDOT and the Commission. The Governor noted in her veto message, however, that her office will conduct this study with the cooperation of the Legislature.

Additionally, several other legislative actions will change transportation governance and introduce new players into the WSDOT oversight process:

- **The dissolution of the Legislative Transportation Committee (LTC)**, and the expanded authority of TPAB to independently conduct audits without requiring direct approval from the Legislature.
- **A change in membership of the TPAB** to include the State Auditor and a member of the Transportation Commission.
- **Expanded authority for the State Auditor's Office**, allowing the State Auditor to independently conduct performance audits of transportation agencies in addition to fiscal audits.

These changes will further clarify oversight roles and require groups with new accountability responsibilities to learn a great deal about the nature of state transportation programs. These changes also mean it is important to reflect on issues related to the new accountability structure, as well as how accountability was exercised prior to July 2005.

