



STATE OF WASHINGTON

August 1, 2013

The Honorable Troy Kelley
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor Kelley:

Thank you for the opportunity to respond to the State Auditor's Office (SAO) Performance Audit on *Washington's Tolling Program: Lessons Learned from Project Delays*, which we received on July 18, 2013. We reviewed the report and provide our formal response below.

The Washington State Department of Transportation (WSDOT) places high importance on performance audits to help ensure that we make the best use of taxpayer dollars. Ongoing improvements are a key to our success, and we appreciate this audit report's contributions to our efforts.

Since its inception, WSDOT's Toll Division has transitioned from a start-up operation to a much more stable toll operation program. WSDOT is now viewed as a leader in all-electronic tolling, with other states seeking the financial functionality and reporting levels now in use at WSDOT.

While the audit report contains valuable information, it speaks broadly about the tolling program. The audit only reviewed one portion of the tolling program: contracting for back-office functions and customer service center operations. Other portions of the program — such as the roadway toll systems, the financial plan, and the migration of nearly 150,000 existing customer accounts from the old back-office system to the new system — were implemented in a much smoother fashion.

Launching an all-electronic tolling program for the SR 520 bridge and a new statewide back-office system would have been challenging for any agency. WSDOT had an aggressive implementation schedule that was required for the \$154 million federal grant. We worked through these challenges by holding the tolling vendor accountable and by being steadfast in our commitment to the citizens of Washington in achieving an all-electronic tolling program.

WSDOT appreciates the SAO's recommendations to further enhance the tolling program. The Toll Division is developing policies and procedures to streamline and improve future toll project implementations. These improvements are especially important as toll revenue augments gas tax revenue in financing major project construction, maintenance, and preservation.

Since tolling began on the SR 520 bridge in December 2011, \$67.4 million in toll revenues have been collected. Revenue and traffic continue to be on track to providing \$1 billion in funding to replace the vulnerable SR 520 bridge.

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The audit report states that WSDOT lost the opportunity to collect \$40 million in tolls. WSDOT's evaluation concluded that the delayed start date for SR 520 tolling is not expected to affect planned toll charges, which are used to pay off 30- and 40-year bonds for construction of the new bridge. With a delayed start, bond repayments will shift out the same number of months that the start was delayed. In fact, the delay had a favorable effect on the terms of the bonds issued. Had tolling started earlier, the state would not have received the lower interest rates that will result in savings over the life of the bonds.

We appreciate your work on this report and the collaborative nature in which it was conducted. We will address your recommendations to make improvements to the tolling program and to ensure WSDOT continues its mission to keep people and business moving.

Sincerely,



Lynn Peterson
Secretary
WA State Department of Transportation



David Schumacher
Director
Office of Financial Management

Attachment

cc: Mary Alice Heuschel, Chief of Staff, Office of the Governor
Kelly Wicker, Executive Director for Internal Affairs, Office of the Governor
Ted Sturdevant, Executive Director for Legislative Affairs, Office of the Governor
Cam Gilmour, Deputy Secretary, WSDOT
Craig Stone, Assistant Secretary, Toll Division, WSDOT
Katy Taylor, Acting Chief of Staff, WSDOT
Tracy Guerin, Deputy Director, OFM
Wendy Korthuis-Smith, Director, Results Washington, Office of the Governor
Tammy Firkins, Results Washington, Office of the Governor
Ralph Thomas, Director of Communications, OFM
Robin Rettew, Senior Budget Assistant, OFM

OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON WASHINGTON'S TOLLING PROGRAM: LESSONS LEARNED FROM PROJECT DELAYS

AUGUST 1, 2013

This coordinated management response to the audit report received on July 18, 2013, is provided by the Washington State Department of Transportation (WSDOT) and the Office of Financial Management.

Recommendation 1: The Secretary should clarify the roles, responsibilities, and decision-making authority for future tolling projects.

RESPONSE

The roles, responsibilities, and decision-making authority within WSDOT will be reviewed to ensure that future tolling projects directed at improving the major urban transportation corridors across the state are implemented efficiently and effectively.

Action Steps and Time Frame

- The Secretary's Office will issue an executive order that officially establishes the roles and responsibilities of the Toll Division and addresses cross-functional relationships. *December 31, 2013*
 - The Secretary's Office will issue an updated executive order for delegation of authority to clearly define the decision-making authority for the Toll Division. *December 31, 2013*
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Recommendation 2: The Assistant Secretary for Tolling should establish policies and procedures to manage future tolling projects.

RESPONSE

WSDOT supports the recommendation to establish policies and procedures, as they will further strengthen the Toll Division's ability to coordinate future toll projects. The Toll Division is in the process of establishing a program management organization (PMO). The PMO is a group within the Toll Division that defines and maintains project management standards, as well as strives to standardize processes and introduce economies of repetition in the execution of projects. Additionally, the PMO will be the source of documentation, guidance, and metrics for project management. The Toll Division's goal for the PMO is to ensure the success of each project, standardize project management practices (including risk assessments and mitigation strategies), and lower overall costs.

The Toll Division will continue to work with other divisions in WSDOT who have a part in supporting toll project delivery to establish the process and procedures for how cross-functional units will work with the Toll Division to meet project needs and requirements.

Action Steps and Time Frame

- The Toll Division will work with other divisions in WSDOT to produce a project management guide, which will outline the tools, best practices, and documentation required for project management within the Toll Division and its cross-functional efforts within WSDOT. *March 31, 2014*
 - The Toll Division will work with other divisions in WSDOT to establish standards, processes, and procedures for cross-functional efforts within WSDOT. *March 31, 2014*
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Recommendation 3: The Department should report to the Office of Financial Management and Legislature on its implementation of these recommendations, as required in the 2013-2015 transportation budget.

RESPONSE

WSDOT will work with the Office of Financial Management (OFM) and Legislature to determine the method used for reporting and will report as required.

Action Steps and Time Frame

- WSDOT will work with OFM and the Legislature on a method to report on the status of the Department's implementation of the audit's recommendation. *October 31, 2013*
- WSDOT will report the status of the recommendation. (Ongoing as required.) *December 31, 2013*