

Washington State Auditor's Office
Accountability Audit Report

Department of Transportation

Audit Period
July 1, 2009 through June 30, 2010

Report No. 1004473

Issue Date
October 25, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

October 25, 2010

Ms. Paula J. Hammond, Secretary
Department of Transportation

Report on Accountability

We appreciate the opportunity to work in cooperation with your Department to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Department of Transportation's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

State of Washington Department of Transportation

Audit Summary	1
Related Reports	2
Description of the Department.....	4
Status of Prior Audit Findings	6

Audit Summary

State of Washington Department of Transportation

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the Department of Transportation from July 1, 2009 through June 30, 2010.

We evaluated internal controls and performed audit procedures on the activities of the Department. We also determined whether the Department complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Construction contracts
- Ferries contracts
- Good to go expenditures
- Purchase cards

RESULTS

In the areas we examined, the Department's internal controls were adequate to safeguard public assets. The Department also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

State of Washington Department of Transportation

FINANCIAL

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management. The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

FEDERAL PROGRAMS

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

PERFORMANCE AUDITS

Initiative 900, approved by voters in 2005, gives the State Auditor's Office the authority to conduct independent performance audits of state and local government entities. Performance audits may include objective analysis on ways to improve program performance and operations, reduce costs and identify best practices.

We issued the Status of Performance Audit Recommendations through June 30, 2009 performance audit report in December 2009 and the Opportunities for Washington performance audit report in January 2010. Both are available on our website.

OTHER REPORTS

During the current audit period, the State Auditor's Office issued a report in December 2009 pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW).

In addition, the State Auditor's Office issued a report on a misappropriation of public funds at the Department in May 2010.

Lastly, the State Auditor's Office issued two Citizen Hotline Reports in May 2010. The first report contains the results of our investigation regarding a contract awarded by the Department's Ferries Division for a ferry employee dispatch system. The second report

contains the results of our investigation about a concern regarding a lease signed in 1985 between the Department and the Washington State Convention and Trade Center.

All of these reports are available on our website, www.sao.wa.gov.

Description of the Department

State of Washington Department of Transportation

ABOUT THE DEPARTMENT

The Washington State Department of Transportation is the steward of a large and robust transportation system and is responsible for ensuring that people and goods move safely and efficiently through the state of Washington. In addition to building, maintaining and operating the state highway system, the Department is responsible for the state ferry system, and works in partnership with governmental agencies and private businesses to maintain and improve local roads, railroads, airports, and multi-modal alternatives to driving.

The Secretary of Transportation is appointed by the Governor and is the executive for the Department. The Department works towards achieving six goals: safety, preservation, mobility, environmental quality, economic vitality and system stewardship. These goals are consistent with the statewide transportation policy goals established by the Legislature for all transportation agencies.

The Department, along with private contractors, is in the midst of delivering the largest capital construction program in its history – more than \$15 billion in projects, including 391 highway projects valued at \$11 billion. Currently, the Department is in year five of this twenty-year program. The Department is financed by revenue from the state gas tax, licenses, permits and fees, ferry fares and concessions, federal reimbursements and bond proceeds. The budget for the 2009-2011 biennium is approximately \$6.8 billion.

As the Department delivers transportation services, it also works to preserve environmental quality. These programs include: stormwater treatment, construction site erosion control, fish passage barrier removal, wetland replacement and air pollution control.

The Department's diverse programs and projects are supported by approximately 7,200 full-time employees including engineers, vessel captains, maintenance technicians, environmental specialists, planners and many others. The Department is organized into five major divisions:

- Chief of Staff/Modal Operations
- Engineering and Regional Operations
- Ferries Division
- Strategic Planning and Finance
- Administrative Operations

ENTITY TYPE CONTACT INFORMATION

Address: Department of Transportation
P.O. Box 47300
Olympia, WA 98504-7300

Phone: (360) 705-7000

Website: www.wsdot.wa.gov

AUDIT HISTORY

The past five audits have reported eight findings. We reported three findings in 2005, three in 2006, one in 2008 and one in 2009. We have not performed follow-up testing on the finding issued during the 2009 audit.

Status of Prior Audit Findings

State of Washington Department of Transportation

The status of findings contained in the prior years' accountability audit reports of the Department of Transportation is provided below:

- 1. The Department of Transportation should strengthen internal controls in place to ensure fuel is safeguarded, used for authorized purposes and purchased in accordance with bid requirements.**

Report No. 33474, dated February 1, 2010

Background

The Department was the largest purchaser of vehicle fuel among all state agencies during fiscal year 2009. The Department has used the Automated Fuel System to track fuel costs, use, inventory, and to create invoices to bill other agencies for fuel use since 1988. The system tracks fuel used by the Department and any other state agency that uses one of the Department's 130 fuel stations located throughout the state.

We examined fuel transactions at headquarters and at the Department's North Central, Olympic and South Central regional offices and noted the following:

- Noncompliance with bid requirements in the North Central Region.
- Lack of safeguarding of fuel at six below-ground fuel tanks.

During the audit we performed an application review of the Automated Fuel System and noted exceptions in the following areas:

- User Access
- Program Change Controls
- Fuel Inventory Discrepancies
- State Fuel Card Transactions

Status

We have not performed follow-up testing on this issue as of the report date.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
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