

Minutes
County Road Administration Board
October 27-28, 2011
CRAB Office – Olympia, Washington

Members Present: Dean Burton, Garfield County Commissioner, Chair
 Brian Stacy, PE, Pierce County Engineer, Vice-Chair
 Ray Thayer, Klickitat County Commissioner, 2nd Vice-Chair
 Bob Koch, Franklin County Commissioner
 John Koster, Snohomish County Councilmember
 Mike Leita, Yakima County Commissioner
 Derek Pohle, PE, Grant County Engineer
 Andrew Woods, PE, Columbia County Engineer

Member Absent: Dale Snyder, Douglas County Commissioner

Staff Present: Jay Weber, Executive Director
 Walt Olsen, Deputy Director
 Steve Hillesland, Assistant Director
 Karen Pendleton, Executive Assistant
 Randy Hart, Grant Programs Manager
 Jeff Mosen, Intergovernmental Policy Manager
 Bob Moorhead, Compliance & Data Analysis Manager
 Rhonda Mayner, Secretary
 ** Jim Ayres, Design Systems Engineer
 ** Larry Pearson, Maintenance Programs Manager
 ** Bob Davis, Systems Manager
 ** Don Zimmer, Road System Inventory Manager
 ** Jim Oyler, Support Specialist
 ** Kathy O'Shea, Database Specialist
 ** Eric Hagenlock, Applications Specialist

Guests: *Tim Elsea, PE, Lewis County Engineer/Director
 *Rod Lakey, PE, Lewis County
 *Mike Kroll, Lewis County
 *Kinyan Liu, Snohomish County
 *Steve Miller, Snohomish County
 *Pete Ringen, PE, Wahkiakum County Engineer/Director
 *Melissa McFadden, Mason County
 ** Gary Rowe, WSACE Managing Director

(*October 27, 2011 only) (**October 28, 2011 only)

CALL TO ORDER

Chair Burton called the County Road Administration Board quarterly meeting to order at 1:00 pm on Thursday, October 27, 2011, at the CRAB Office in Olympia.

CHAIR'S REPORT

Approve Agenda for the October 27-28, 2011 Meeting

Second Vice-Chair Thayer moved and Vice-Chair Stacy seconded to approve the agenda as presented. **Motion passed unanimously.**

Approve Minutes of July 2011 CRABoard Meeting

Commissioner Koch moved and Commissioner Leita seconded to approve the minutes of the July 28-29, 2011 CRABoard meeting. **Motion passed unanimously.**

RURAL ARTERIAL PROGRAM

Program Status Report

Mr. Hart reported that there are 96 active RAP projects. He noted a new line in the report showing projects which have all of their RATA paid but have not been officially closed out. There are nine at this time. CRAB has total anticipated revenue of \$485,250,843 through the 2011-13 biennium. \$429,828,674 has been expended to date. There are outstanding obligations of \$115,330,476.

Resolution 2011-008 – Apportion RATA Funds to Regions

Mr. Hart presented Resolution 2011-008 – apportion RATA funds to regions, which approves that the accrued amount of \$4,871,376 now credited to RATA for August 2011 through October 2011 be apportioned to the regions by the established 2011-2013 biennium regional percentages after setting aside \$118,500 for administration.

Mr. Woods moved and Councilmember Koster seconded to approve Resolution 2011-008. **Motion carried unanimously.**

Regional Meetings Update

Mr. Hart summarized the proposed regional RAP project types and funding for the 2012 call for new RAP projects.

Call for Projects for 2013-2015

Mr. Hart outlined the key issues the CRABoard must consider in establishing a funding period, including estimated revenue, obligation levels, partially funded projects awaiting additional funds, recent balance activity, and potential adjustments to current projects.

He noted that given the CRABoard has in the past successfully delayed projects when demand on the balance was very high, and that all regions now have criteria to submit shorter term project types, staff recommends a call for new projects be issued in January 2012, and that this call include the funding of 2R projects in all regions and drainage structures in the Puget Sound and Southwest Regions. Reconstruction and 3R projects remain eligible in all regions except the Northwest. Projects submitted as 2R will not be eligible for right-of-way reimbursement by the RATA.

Staff further recommends that spending plans and actual spending be monitored closely to anticipate project demands for each construction season. Projects that have more complete environmental review and resolution of right-of-way will be first in line to

receive RATA reimbursement for construction, in consideration of the regional RATA balance. Because project demand fluctuates year to year in all regions, in the event some regions have a low project demand year and high relative RATA balance, those funds may be used by a more aggressive region that year, and paid off in a slower year when project demand is lower.

Following questions and discussion, Councilmember Koster moved and Vice-Chair Stacy seconded to establish a call for new projects to be issued in January 2012.

Motion carried unanimously.

Lewis County Project Request

Mr. Hart noted that Lewis County has requested a scope reduction for their King Road project. The request is to reduce roadway width improvements from the 28 feet listed in the prospectus to 26 feet, with no reduction in RATA funding.

On April 17, 2003, the CRABoard granted partial funding of \$629,800 for King Road. Full funding to \$1,162,000 was gained at the April 29, 2004 CRABoard meeting. Total project cost at that time was estimated at \$1,300,000. Total estimated cost of the project has increased to \$2,870,000 at this time. The project lapses in construction on April 17, 2012.

The county prospectus submittal proposed to widen the roadway to 28 feet, comprised of 11 foot lanes and 3 foot shoulders. The proposed improvements also include correction of horizontal and vertical curves to standard radius, sight distance and superelevation improvements, and paving the existing gravel surface. These improvements gained a total of 58.64 points for the project on the 2003 – 2005 priority array for the SW Region. King Road was the lowest ranked funded project.

The county is proposing a reduction in the proposed roadway width from 28 feet to 26 feet. Due to the current width of the gravel surfaced road, combined with the proposed alignment improvements, the total impervious surface on the completed project, at 26 feet, will be less than the current impervious surface. This reduced width eliminates the need for further environmental mitigation and its associated costs, which are estimated at \$300,000. Further, at the original 28 foot width, one culvert must be replaced at a much larger size and expense in order to fit the stream and retain fish passage qualities of the project. At 26 feet, the existing culvert already meets these conditions, and would not have to be replaced. Reducing the roadway width to 26 feet brings the estimated cost down to \$2,200,000.

Staff finds that the proposal to reduce the width of the road to 26 feet still meets minimum standard width of 24 feet for roads of this volume and terrain. Also, the county still plans to make the significant prospectus improvements to the alignment and pave the surface. Staff finds the width reduction does not lower the project's ranking on the priority array and that it is a better use of RATA funds for King Road. At the reduced width, the county has given assurances it will move to construction before the project

lapses. Staff recommends approval of the reduced width with no reduction in RATA funding.

Mr. Hart introduced Mr. Elsea, who gave background information on the project.

Mr. Woods moved and Councilmember Koster seconded to approve Lewis County’s request for a scope reduction for their King Road project, with no reduction in RATA funding. **Motion passed unanimously.**

Snohomish County Project Request

Mr. Hart noted that Snohomish County has requested an increase of \$1,076,000 in RATA funding for their Jordan Road Bridge and Approaches project. This is 50% of the current RATA-funded amount of \$2,152,000. Also, as a consequence of selecting a preferred realignment during project design, the county requests the proposed vertical sight distance at the north end of the bridge be reduced from 280 feet to 250 feet.

The project was funded in the following sequence:

Jordan Road Bridge	\$212,020	July 8, 2004
Jordan Road Bridge	\$1,048,980	April 29, 2005
Jordan Road Approaches	\$891,000	April 19, 2007
Combined Jordan Rd Project	\$2,152,000	

The combined project’s total cost estimate (at 90% design completion) now stands at \$ 3,854,000. The proposed increased funding would bring the total RATA participation to \$3,228,000, or 84% of the project’s funding need. If the funding is approved, the county share of funding would be \$626,000.

Mr. Hart noted that reasons for the request include archaeological scope being unknown at time of the RAP application; permit requirements substantially changed; additional mitigation of impacts and increased the size of storm-water conveyance and infiltration pond; the new designation of the channel migration zone as essentially a no-build area; that ‘in-place’ staged construction typically requires additional temporary shoring and deep excavation; because of the confined location established for the permanent bridge, the final road approach alignment was also constrained; and additional bridge and approach work adds time to the contract, and limits the flexibility for the contractor to build the project. He noted that many of the additional environmental costs were due to Snohomish County’s adoption of new Critical Areas Requirements in 2008.

Mr. Hart concluded that the county has demonstrated that the increased cost items listed are extraordinary and were unforeseeable at the time the prospectus was submitted. Staff recommends the CRABoard increase the RATA funding for Jordan Road Bridge and Approaches by \$1,076,000, and that the county’s future funding limit be reduced by that amount. Staff also recommends approval of the scope reduction

from 280 foot sight distance to 250 foot sight distance with no reduction in RATA funding.

Councilmember Koster recused himself from discussion of and voting on the project.

Mr. Hart introduced Mr. Miller, who gave background information on the project. Several Board members expressed a lack of willingness to assist in paying costs that the county essentially imposed on itself due to the new environmental regulations.

Following questions and discussion, Second Vice-Chair Thayer moved to approve Snohomish County's request for an increase of \$1,076,000 in RATA funding for Jordan Road Bridge and Approaches with a reduction in the county's future RATA funding in the same amount; and approval of the scope reduction from 280 foot sight distance to 250 foot sight distance with no reduction in RATA funding. **Second Vice-Chair Thayer withdrew his motion.**

Mr. Woods moved and Commissioner Leita seconded to approve Snohomish County's request for the actual costs in four areas: \$288,138 for increased archaeological impact costs; \$205,500 for additional temporary bridge costs; \$308,925 for additional design and construction of the bridge and guardrail; and \$46,857 for increased project time; for a total of \$849,420; and approval of the scope reduction from 280 foot sight distance to 250 foot sight distance with no reduction in RATA funding. **Motion passed unanimously, with Councilmember Koster recused.**

Chair Burton called for a brief recess.

Wahkiakum County Project Request

Mr. Hart noted that Wahkiakum County has requested \$1,100,000 in emergent RATA funding for replacement of its Puget Island ferry boat. Total cost of the replacement is estimated at \$3,900,000. The county was recently awarded \$2,800,000 toward the costs through the federal Ferry Boat Discretionary Program.

The existing 50-year-old Puget Island ferry conveys traffic across the lower Columbia River and connects Wahkiakum County's Puget Island ferry landing with Clatsop County's Westport ferry landing in Oregon. The ferry is an extension of Wahkiakum County's road system, and the ferry ramp is a bridge in the State of Washington Inventory of Bridges and Structures. The route it serves is classified as a RAP eligible rural collector. The ferry is a critical part of the transportation infrastructure in the lower Columbia River communities, and has frequently been a lifeline when the land routes or the bridges at Longview or Astoria were closed.

The county recently received a Ferry Boat Discretionary Grant (FBDG) in the amount \$2.8 million from the Federal Highway Administration for the construction of a new ferry boat. While the need for a new ferry has been recognized for some time, the likelihood of successfully competing for this nationwide grant program funding was not assured. Nevertheless, a US DOT press release dated August 17, 2011 cited federal approval of

funding for the ferry via the FBDG, and on September 28, 2011, the county received official notice from the WSDOT which stated that FHWA fund authorization was effective September 23, 2011. This funding provided the major portion (\$2.8 million) of the estimated \$3.9 million needed to provide a new replacement vessel.

The county states that its financial resources in the Road Fund will not be sufficient to meet the gap of \$1,100,000 in remaining funding needed. As a very small county, Wahkiakum is not in a financial position to proceed without the help of additional grant funds. The likelihood of success in the FBDG competition could not have been predicted when the last CRAB Ferry Capital program was open to application, and waiting for the next CRAB Ferry Capital program would push the completion of the ferry to 2017, far beyond the expectations for timely construction with the awarded FBDG.

The current ferry does not meet modern Coast Guard requirements for construction. The new ferry would meet these and Americans with Disabilities Act requirements, and would provide for nearly double the carrying capacity of the current vessel.

Mr. Hart noted that although the ferry replacement project is listed on both the ferry system fourteen year capital improvement and the six year transportation improvement programs of the county, the county did not anticipate the award of federal funds via the FBDP which were just recently made available. The county was successful in obtaining the funds quickly because the design of the replacement ferry is complete, and the program was looking for projects that could commence quickly. The county plans for the ferry to be operational in 2014. Should the county wait to apply for County Ferry Capital Improvement Program (CFCIP) funds, that funding would be awarded in 2015 at the earliest. Construction would be complete in 2017, a three year delay as compared to the current plan. The county is concerned that the federal funds be utilized quickly. Also, as the WSDOT has encouraged the county to obligate the federal funds in the current fiscal year, the county signed the Local Agency Agreement to accept the funds. The design of the new vessel is complete and the county is ready to commence construction when the remaining funding is obtained.

Mr. Hart provided a statutory analysis of the RCW's involved in the request.

Staff finds support for this request based on the following:

1. The **emergent nature** of the ferry consists in the federal funding the county gained only recently. The county has said the funds would be available in 2012. The replacement boat has been designed and is ready to be built.
2. It is an **Improvement Project** on an **eligible class (07) route**. The ferry makes connection to the land via the dock and loading platform structure, which is designated as a rural major collector under the federal functional classification cited in the RAP statute. As such, the ferry is also eligible for federal Ferry Boat Discretionary Program funding.
3. The application of rating criteria must **take into consideration** the items listed in RCW 36.79.080. While the ferry boat cannot rate as a road physically, the county has

sufficiently described **criteria-based** ferry boat deficiencies that impact both the ferry and the road system it directly serves.

4. The proposal meets the **ranking conditions** listed in WAC, chapter 136. The lowest-ranked project on the priority array for the Southwest Region scored 27 points. Staff finds the ferry boat replacement would score approximately 62 points.

Staff recommends approval of \$1,000,000 in RATA funding (the approximate Southwest Region county funding limit) for Wahkiakum County's ferry boat replacement as match for federal Ferry Boat Discretionary Program and county funding, with Wahkiakum County restricted from participation in the next priority array of funding for RAP projects.

Mr. Hart introduced Mr. Ringen, who gave background information on the project.

Following questions and discussion, Councilmember Koster moved and Mr. Pohle seconded to approve \$1,000,000 in emergent RATA funding for replacement of Whatcom County's Puget Island ferry boat, with the county being restricted from participation in the next priority array of funding for RAP projects. **Motion passed unanimously.**

DIRECTOR'S REPORT

2012 Meeting Schedule

Mr. Weber presented staff's recommendations for the 2012 CRABoard meeting schedule.

Mr. Woods noted that the proposed July dates pose a conflict for himself, Mr. Weber and Commissioner Koch.

Following discussion, Second Vice-Chair Thayer moved and Mr. Pohle seconded to set the 2012 CRABoard Meetings on January 26-27, April 26-27, July 19-20, and October 25-26. **Motion passed unanimously.**

Approve Annual Certification Form

Mr. Weber noted the usual date changes. Mr. Olsen noted that a line has been added to show the number of County Road Accident Reports processed.

Councilmember Koster moved and Mr. Woods seconded to approve the 2011 Annual Certification Form. **Motion passed unanimously.**

2011-13 Current Budget Status

Mr. Weber noted that there are some negative variances and there will be some shifting of allotments from areas not using the funds to areas of need.

Director's Activities

Mr. Weber reported on his recent activities. He noted leading a class on County Government at the recent Washington Finance Officers' Association Conference.

DEPUTY DIRECTOR'S REPORT

County Engineers/Public Works Directors

Mr. Olsen announced the following changes since July 2011:

By letter on October 4, 2011, King County announced that Paulette Norman, PE, has been appointed to Director of King County Road Services Division, effective September 21, 2011. The duties of County Road Engineer have been delegated to Rick Brater, PE, and Matt Nolan, PE. The vacant position will be filled by the end of 2011.

County Visits completed since July 2011

Official County Visits to the following counties were conducted:

- Lewis County
- Pacific County
- Wahkiakum County
- Chelan County
- Lincoln County
- Kittitas County
- Grant County

Numerous contacts with County Engineers took place in other venues.

State Auditor's Report

The 1997 State Auditor Office (SAO) audit of CRAB concluded that the minutes of the Board meetings needed specific mention of SAO audits of the counties and of any findings that might relate to the statutory responsibilities of CRAB. The minutes also need to reflect any recommendations from the CRAB Board to staff in response to the audits. This report details our staff procedures to satisfy the SAO.

CRAB has reviewed ***47*** audit reports representing ***35*** counties since the July 2009 board meeting. **Any audits with county name in bold print revealed substantive findings involving County Road Funds**, specifically:

2010 Audits

1. Benton County: SAO # 1006123, issued on August 15, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
2. Clark County: SAO # 1006124 & 1006125, issued on August 15, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated no previous findings, none involving

County Road funds, and issued no new findings, none involving County Road Funds.

3. Asotin County: SAO # 1006205 & 1006206, issued on September 6, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
4. Douglas County: SAO # 1006237 & 1006566, issued on September 6, 2011 and October 17, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated no previous findings, none involving County Road funds, and issued one new finding, not involving County Road Funds.
5. **Lincoln County: SAO # 1006208 & 1006209**, issued on September 6, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated no previous findings, none involving County Road funds, and issued one new finding, involving County Road Funds.

The State Auditor's Office found:

- i) The County applied an equipment rental rate to each public works project for its proportionate use of County-owned equipment and future replacement costs. Using this rate, it charged shared equipment costs of \$77,896 to the grant. Federal cost principles state future replacement costs may not be charged to the grant.*
- ii) Federal grant recipients are prohibited from contracting with or making sub-awards to parties that are suspended or debarred from doing business with the federal government. The County paid \$284,946 to an asphalt vendor but did not verify the vendor was not suspended or debarred.*
- iii) The County must ensure it purchases materials in accordance with County, state, and federal procurement policies. The County's policy for the purchase of materials over \$25,000 requires formal competitive bidding procedures. The County purchased \$284,946 of asphalt from a vendor without ensuring the notice of call for bids was advertised.*

Lincoln County responded as follows:

Equipment Rental Rates:

Equipment Rental Rates calculations were developed in the mid-80's with the assistance of FHWA auditors following their technical advice (T 4540.1 dated 10/18/1978) detailing the use of a clearing account in order to develop rental rates acceptable to use on federally funded projects as well as maintenance activities, that do not include replacement costs. Lincoln County has been aware that replacement costs are not an eligible expense for federal projects for many years, hence the use of the clearing account methodology as endorsed by FHWA in 1978.

Suspension and Debarment:

On all Federal Grants, vendors, and contractors that exceed \$25,000, Public Works will create a certification form to fill out verifying that they have not been suspended or debarred from doing business with the Federal Government.

Formal Bidding Process:

Public Works will do a better job monitoring the formal bidding process in the future.

Public Works did not ensure that the call for bids for liquid asphalt was advertised but did send the notification to all interested and prospective bidders. Therefore, Lincoln County did get the product at a fair and reasonable price.

6. Pierce County: SAO # 1006210, issued on September 6, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
7. Skamania County: SAO # 1006256, issued on September 6, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
8. **Snohomish County: SAO # 1006218**, issued on September 12, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued three new finding, one involving County Road Funds.

The State Auditor's Office found:

After major flooding in 2003, FEMA reimbursed the County \$748,976 for its purchase of three vactor trucks it used to vacuum excess wastewater from a sewer system. Federal regulations require grant recipients to perform a physical inventory of all equipment purchased with federal money every two years. The Snohomish County Department of Public Works did not maintain records to document it had done this.

Snohomish County responded as follows:

The County is committed to ensuring federally funded equipment is not lost, misappropriated, or used for unallowable purposes, and is properly disposed of. However, the Public Works Department did in fact provide the State Auditor proof of existence of the 3 vactor trucks. Such proof included: (1) a copy of the Annual ER&R Inventory Report which identified the asset numbers for each truck, (2) a copy of the daily Road Maintenance record log that reports the employee assigned to each day, (3) maintenance and fueling records for each vactor truck, and (4) a site visit to Cathcart where the three vactor trucks were physically located to allow the auditors to confirm their existence, condition and mileage. The Public Works Department has taken action to further improve its internal controls. When federal funds are used to purchase equipment, notification to the Purchasing Division and ER&R will now include all items listed Title 44 CFR 13.32(d)(1). The Public Works Department has also modified a field in the ER&R Asset database to identify federally funded equipment. In addition, ER&R has established a task in its annual maintenance program to complete a physical inventory of this equipment. If the equipment is not included in the ER&R inventory, the Purchasing Division shall be responsible for meeting the physical inventory and its associated requirements.*

9. Thurston County: SAO # 1006201 & 1006202, issued on September 6, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability & Financial Audit, updated no previous findings, none

involving County Road funds, and issued no new findings, none involving County Road Funds.

10. Wahkiakum County: SAO # 1006301 & 1006302, issued on September 12, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability & Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
11. Cowlitz County: SAO # 1006321, issued on September 19, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
12. Mason County: SAO # 1006358, issued on September 19, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated one previous findings, one involving County Road funds that is fully resolved, and issued no new findings, none involving County Road Funds.
13. **Pend Oreille County: SAO # 1006256 & 1006448**, issued on September 6, 2011 & September 19, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued one new finding, involving County Road Funds.

The State Auditor's Office found:

State law requires formal competitive bidding procedures for public works projects over \$300,000. These requirements include publishing an advertisement in the County's official newspaper at least 13 days prior to the last date bids can be received. The County selected a contractor for the Usk Bridge project without ensuring the notice of call for bids was advertised. The County prepared a call for bids to be published in the local newspaper, but did not adequately monitor the procurement process to ensure the notice was actually published. Although the County received five bids based on the notice of call for bids posted on its website and provided to planning centers, the County cannot ensure all interested bidders had the opportunity to bid on the project. When formal bidding procedures are not followed, the County cannot ensure public works projects are performed for the best price from the lowest responsible bidder.

Pend Oreille County responded as follows:

We will designate one person within Public Works to place and monitor all advertising. When placing an ad, the designated person will request an acknowledgement from the news agency stating that the correspondence has been received and the ad will be placed per our instructions. A log will be maintained listing all ads placed by Public Works. The designated Public Works employee will review the paper when received each week, comparing it to the log and verifying that all ads requested have been run on the correct dates. At that time, the ads will be clipped and placed in the appropriate files. If an ad has not been published as requested, the bid would be rescheduled and the advertising process started over.

14. **Skagit County: SAO # 1006360**, issued on September 19, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated two previous findings, and issued three new findings, one involving County Road Funds.

The State Auditor's Office found:

We identified the following significant deficiencies in internal controls that, when taken together, represent a material weakness in the County's controls over reporting of capital assets:

The County did not complete comprehensive inventory and reconciliation of its capital assets. State law (RCW 36.32.210) requires counties to complete an inventory of all capitalized assets in accordance with standards established by the State Auditor's Office. In addition, the County's capital asset tracking system does not include information sufficient to ensure all assets are properly identified and safeguarded.

No one reviewed the classification of capital assets in sufficient detail to ensure non-depreciable assets were properly reported. Specifically, \$136,525,832 in non-depreciable right-of-way acquisitions were reported as depreciable assets on the County's financial statements. The County corrected the error.

The County does not review and correct the land values for its properties before it reports them on its financial statements. We found no value reported for 191 out of 270 land assets on the asset listing. The County recalculated the land valued. Based on that recalculation, we determined the likely misstatement for land values to be \$914,164.

The County also did not review the Future Development Rights to ensure the assets were correctly reported in the financial statements. The County identified minor errors when it provided us supporting calculations and documentation for the amounts reported as Future Development Rights.

Skagit County responded as follows:

While we agree with some aspects of the finding, we must respectfully disagree with a substantial portion of the finding. The conditions of the finding and our responses are as follows:

- *Description of Condition: The County did not complete comprehensive inventory and reconciliation of its capital assets. State law (RCW 36.32. 210) requires counties to complete an inventory of all capitalized assets in accordance with standards established by the state auditor. In addition, the County's capital asset tracking system does not include information sufficient to ensure all assets are properly identified and safeguarded. The County believes the intent of RCW 36.32.210 is to safeguard assets, and we have followed the law accordingly. Throughout the audit, we have received conflicting advice from the auditors regarding the annual inventory requirements. We have been told verbally that the BARS manual as well as RCW 36.32.210 specifically require an annual inventory of all capital assets. This includes infrastructure: roads, rights-of-way, bridges, and buildings. The County has also been told that if we create a policy that states these infrastructure assets will be inventoried every 2 to 5 years, that the State Auditors will not 'take issue' with it. With the focus on misappropriation or loss risks, the County's practice has been to perform routine inventories of high risk assets and less routine inventories on low risk assets. In accordance with past practice, the County does perform annual physical*

- inventories of equipment and property and routine inventories of infrastructure assets such as bridges, roads, and rights-of-way. As required by the County Road Administration Board (CRAB) the County Public Works department maintains a database of County bridges, roads, and right of way assets and performs inspections of these assets every 2 to 5 years. As there are changes to infrastructure assets, the database is updated. Public Works accounting staff reconciles all adjustments each year and provides the County Auditor's Office with the necessary data for financial statement preparation. We believe our CRAB reporting processes essentially performs the physical inventory requirements. However, in the written finding, the State Auditor's Office has suggested a financial statement internal control weakness occurred as the result of non-compliance with RCW 36.32.210 and that in order to be in compliance with this law the County perform a comprehensive inventory of all capitalized assets, including infrastructure, annually. The County has been proactive in streamlining processes and procedures with the intent to save taxpayers' money in this economy. To implement additional, expensive, and unnecessary steps to our processes is unreasonable in light of the low level of misstatement risk to the financial statements and low level of risk of misappropriation of the asset. Inventories of County assets that pose a high risk of misappropriation, including noncapitalized small and attractive items, are taken each year and presented to the Commissioners on an annual basis, as required by RCW 36.32.210. We agree that the complete inventory of infrastructure assets is not part of this process.*
- *Description of Condition: No one reviewed the classification of capital assets in sufficient detail to ensure non-depreciable assets were properly reported. Specifically, \$136,525,832 in nondepreciable right-of-way acquisitions was reported as depreciable assets on the County's financial statements. The County corrected this error. The right of way assets were included in the totals for infrastructure on the financial statements. This classification has been in place for many years. They have never been depreciated. The dollar amount has since been reclassified to the land total on the financial statements. There was no adjustment made to the right of way balances as a result of the audit.*
 - *Description of Condition: The County does not review and correct the land values for its properties before it reports them on its financial statements. We found no value reported for 191 out of 270 land assets on the asset listing. The land values were subsequently recalculated by the County. The County recalculated the land value. Based on that recalculation, we determined a likely misstatement for land values to be \$914,164. Land values on the financial statements are changed only upon the additions or disposals of land. Changes are researched, documented, and recorded each year. The County has been in existence since 1883 with land purchases throughout the century. The County did not have a comprehensive list of land values with parcel numbers. With the Assessor's help, County parcels were listed and GASB 34 implementation procedures were applied to the 2010 assessed value for each parcel, creating an estimated value by parcel. The County's land parcel list contains more than 400 parcels, and the zero balance values consisted of tidelands, of which the assessed value is zero. The County is in the process of adding a comprehensive land asset by parcel number list with the required information to the fixed asset database. There was no adjustment made to the land value on the financial statements.*

- *Description of Condition: The County also did not review the Future Development Rights to ensure the assets were correctly reported in the financial statements. The County identified minor errors when it provided us supporting calculations and documentation for the amounts reported as Future Development Rights. The County has a comprehensive listing of all properties submitted for application, approved, denied and/or purchase of development rights in the Conservations Futures Office that is available upon request. The asset manager records the current year activity annually by generating a report from the financial system and reviewing each invoice or contract to post all costs for development rights. The Accounting department did not request the comprehensive list from the Conservations Futures office before completing the financial statements; however, the assets recorded in the general ledger were reconciled before the financial statements were prepared. The minor errors identified by the County consisted of closing costs added to the department's comprehensive list. There was no adjustment to the financial statement balance for Future Development Rights.*
- *Effect of Condition: We also determined there is a likely misstatement due to the valuation method used for the County's right-of-way assets. We were unable to calculate the amount of likely misstatement due to the number of variables that must be taken into consideration when estimating the value. The valuation method used was based on the 2003 financial statement implementation of GASB 34. The values have changed little since then, and only based on additions or deletions of right of way assets. GASB 34 requires an asset value to be benchmarked by using an 'appropriate index'. We used the Bureau of Labor Statistics consumer price index. The auditors have determined that while the consumer price index is an inappropriate tool for this valuation process, they had no recommendations as to a viable alternative. Because the values were estimated in 2004 for the 2003 financial statements, the methodology has not been visited again until the 2010 financial statement audit. Due to record retention requirements, the State Auditor's Office staff was unable to review their own notes to determine if a review of the GASB 34 implementation was performed at that time. As a result of the audit, we believe our fixed asset database does not contain the appropriate level of detail, but we believe it is materially correct. We received an unqualified opinion from the State Auditor's Office for the financial statement audit, so they believe the same. However, a team of 4 members from multiple departments has been created to develop a new fixed asset policy. This policy will address the infrastructure inventories with the goal of streamlining procedures by incorporating CRAB requirements already in place within the policy. We believe this will satisfy the verbal recommendations from the State Auditor's Office. The team is also charged with updating the existing fixed asset database by adding detail information the current list lacks.*

15. **Lewis County: SAO # 1006476 & 1006320**, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated no previous findings, and issued one new finding, involving County Road Funds.

The State Auditor's Office found:

The audit determined the Highway Planning and Construction grant (CFDA 20.205) was underreported by \$1,196,311 on the SEFA. The County subsequently corrected this error. Information on the SEFA is used for audit planning and by grantors. After

receiving a corrected SEFA from the County, an additional federal program was selected for audit in order to meet the required 25 percent coverage. An incorrect SEFA can delay an audit beyond the reporting deadline and cause unnecessary audit costs.

Lewis County responded as follows:

The Board of County Commissioners has been informed that errors occurred in the preparation of certain reports provided by a County department to the County Auditor's Office detailing expenditures included in the Schedule of Expenditures of Federal Awards (SEFA). The departmental personnel involved were not fully trained in reporting expenditures on the SEFA and the County Auditor's Office relied on the inaccurate and incomplete information provided by the department.

The Board of County Commissioners will undertake the following corrective actions to address this deficiency:

- 1. Ensure that relevant personnel in departments receiving federal grant funding provide training to their personnel in the procedures for reporting expenditures on the SEFA.*
- 2. Require departments receiving federal grant funding to make documentation and information available to the County Auditor as requested by the County Auditor or his staff in support of SEFA worksheets.*

The County Auditor will:

- 1. Request additional documentation or information as necessary to support the SEFA worksheets submitted by County departments receiving grant funding.*
- 2. Randomly and annually review the processes and documentation being used in the County departments receiving grant funding to ensure compliance with SEFA reporting requirements.*

16. Stevens County: SAO # 1006335, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
17. **Clallam County: SAO # 1006380 & 1006570**, issued on September 26, 2011 & October 17, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated one previous finding involving County Road funds that was found to be fully resolved, and issued no new findings.
18. Ferry County: SAO # 1006384, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
19. Adams County: SAO # 1006421, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.

20. Franklin County: SAO # 1006439, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
21. San Juan County: SAO # 1006366 & 1006602, issued on September 26, 2011 & October 24, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated one previous finding, none involving County Road funds, and issued two new findings, none involving County Road Funds.
22. Yakima County: SAO # 1006381, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated two previous findings, none involving County Road funds, and issued three new findings, none involving County Road Funds.
23. Chelan County: SAO # 1006385 & 1006386, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated one previous finding, none involving County Road funds, and issued one new finding, none involving County Road Funds.
24. Island County: SAO # 1006441 & 1006442, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. These reports covered the Accountability and Financial Audit, updated one previous finding, none involving County Road funds, and issued two new findings, none involving County Road Funds.
25. **Klickitat County: SAO # 1006375**, issued on September 26, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, and issued one new finding, involving County Road Funds.

The State Auditor's Office found:

The County's financial information contained significant errors, some of which were known and others that were not detected by County management. SAO identified the following errors in the original financial statements we received for audit:

- *Ending cash and investments as reported on the financial statements did not reconcile to actual amounts held by financial institutions in the County's name. The financial statements over-reported cash and investments by \$215,402. The majority of the difference was attributed the following funds:*

<i>Fund</i>	<i>Reported</i>	<i>Audited</i>	<i>Difference</i>
<i>General</i>	<i>\$2,265,591</i>	<i>\$2,268,127</i>	<i>(2,536)</i>
<i>Road</i>	<i>1,089,515</i>	<i>699,533</i>	<i>389,982</i>
<i>Senior Services</i>	<i>272,528</i>	<i>213,329</i>	<i>59,199</i>
<i>Equipment R&R</i>	<i>1,038,737</i>	<i>1,269,839</i>	<i>(231,102)</i>

- *Adjustments made to revenue and expenses to transition activity from generally accepted accounting principles to reporting on a cash basis were not performed accurately or completely resulting in revenues and expenses being understated by \$624,107 and \$196,535, respectively.*
- *The County originally over-reported its federal expenditures by \$583,731. The County reported two programs that did not meet the criteria to be included on the SEFA. In addition, the County reported revenues for several other programs instead of expenditures. The determination of which program will be audited and audit costs are affected by the accuracy of the SEFA at the time of the audit. SAO's single audit work had to be changed as the result of these errors. Further, an incorrect SEFA can delay an audit beyond the required nine-month reporting deadline, cause additional, unnecessary audit costs, jeopardize future federal funding and report an entity's financial information inaccurately.*

The deficiencies in internal controls make it reasonably possible that serious misstatements could continue to occur and not be prevented or detected by the County in future years.

Klickitat County responded as follows:

The process of converting accruals to cash is cumbersome and is a time consuming, manual process. Financial reports are customarily generated through information gathered directly from electronic data. For Klickitat County, this is not the case. We acknowledge this process is difficult and communications between certain offices has, at times, not been what it could be. Efforts will be made to correct balancing deficiencies. The financial report is balanced against documentation submitted to the Auditor's office. Although the Auditor's staff reviewing the report is qualified and knowledgeable to perform the financial review, access to certain areas of the financial system are not available to audit beyond the documentation presented.

In the future, every effort will be made to ascertain that all SEFA documentation submitted to the Auditor's office has sufficient supporting documentation necessary for accurate reporting.

26. Columbia County: SAO # 1006468, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
27. Grant County: SAO # 1006460, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued one new finding, not involving County Road Funds.
28. Grays Harbor County: SAO # 1006487, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated one previous finding, not involving County Road funds, and issued no new findings, none involving County Road Funds.

29. Kitsap County: SAO # 1006489, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated one previous finding, none involving County Road funds, and issued one new findings, none involving County Road Funds.
30. Kittitas County: SAO # 1006446, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, none involving County Road funds, and issued no new findings, none involving County Road Funds.
31. Okanogan County: SAO # 1006453, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated one previous finding, not involving County Road funds, and issued no new findings.
32. Pacific County: SAO # 1006486, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, and issued one new findings, not involving County Road Funds.
33. **Spokane County: SAO # 1006358**, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated one previous finding, not involving County Road funds, and issued one new finding, involving County Road Funds.

The State Auditor's Office found:

The Uniform Relocation Assistance and Real Property Acquisition Policy Act provides regulatory guidelines to local governments that have been given authority by the state Department of Transportation and the Federal Highway Administration to acquire right-of-way property for federally funded road projects. The County's Bigelow Gulch Road projects used federal funds as follows:

<i>Bigelow Gulch Road Project</i>	<i>Project No. 2620 (LA-4124)</i>	<i>Project No. 2924 (LA-5120)</i>
<i>Federal funds spent in 2010</i>	<i>\$440,374</i>	<i>\$ 99,889</i>
<i>Total federal funds spent to date</i>	<i>\$961,103</i>	<i>\$1,077,496</i>
<i>Total federal funds spent to purchase right of way property (County engineering and payroll costs)</i>	<i>\$395,677</i>	<i>\$ 552,847</i>

The Transportation Department and Highway Administration reviewed these projects and issued a report: "Spokane County's Bigelow Gulch County Road Projects 2620 and 2924 Right of Way File Review" in March 2011. The report stated the County did not meet the intent of the Relocation Act and property owners received "inconsistent and inequitable treatment" during the right-of-way acquisition process. We are relying on the expertise and experience of the review team as the basis of this finding.

The County's internal controls over right-of-way acquisition did not ensure compliance with federal requirements. The report noted:

- *Inappropriate use of "voluntary" acquisition requirements, resulting in property owners not receiving full relocation benefits.*
- *Use of appraisal waivers to set compensation when property owners were not properly informed of their right to an appraisal.*
- *Inappropriate acquisition of the "uneconomic remnant" portions of right-of-way properties, resulting in the County acquiring property in excess of what was needed for the project. This practice also did not provide property owners the opportunity to retain the remnants as required.*
- *Property appraisal files did not always include documentation to support that the required appraisal process was followed.*
- *The County did not always acquire sufficient property rights to properly construct, operate, and maintain the project area.*
- *The report also identified other areas of noncompliance related to the files supporting the appraisal process.*

The review team determined the County did not follow the intent of the Relocation Act and federally approved right-of-way acquisition procedures for a significant number of transactions in violation of federal and state law. The Transportation Department has rescinded the County's ability to purchase right-of-way until further notice. As a result, six County employees were laid off and the Department will acquire right-of-ways. The Transportation Department must certify projects that include federal participation as part of the final funding authorization. Since these projects contain property that was not acquired according to federal and state statutes and regulations, the projects cannot be certified by the Department.

The Highway Administration is working to determine the amount of unallowable costs and repayment of federal funds to the Transportation Department. At the date of this report, the County estimated the amount could range from \$350,000 to \$1.5 million. The full report can be obtained from the County.

Spokane County responded as follows:

Spokane County has been actively working with the Washington State Department of Transportation (WSDOT) and Federal Highway Administration (FHWA) to resolve the issues noted in the report since its issuance. FHWA is taking the lead in developing a Memorandum of Agreement between the three entities which will identify a specific corrective action plan to be implemented.

The corrective action plan will include the development of new policies and procedures as well as strengthened internal controls over right-of-way acquisitions, including staff training. Spokane County is currently receiving technical assistance from the WSDOT in this regard.

34. Walla Walla County: SAO # 1006459, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the Financial Audit, updated no previous findings, and issued no new findings.
35. Whatcom County: SAO # 1006426, issued on September 30, 2011, covering the period from January 1, 2010 to December 31, 2010. This report covered the

Financial Audit, updated no previous findings, and issued one new finding, not involving County Road Funds.

Deputy Director's Activities

Mr. Olsen reported on his activities since the July meeting.

WORK SESSION – RURAL ARTERIAL BALANCE

Mr. Weber reported that the plan is for a continued aggressive spend-down of the RATA balance in the next biennium. A supplemental increase in the appropriation is needed to accomplish this. He noted that staff at both the House and Senate Transportation Committees are aware that the balance carried in for 2011-2013 was low, and are receptive to a technical adjustment during the 2012 legislative session. CRAB's fiscal analyst at the Office of Financial Management is also aware of the process.

Chair Burton recessed the meeting at 4:45 pm on October 27, 2011. The CRABoard meeting will resume October 28, 2011 at 8:30 am.

**County Road Administration Board
Friday, October 28, 2011**

CALL TO ORDER

The second day of the fall CRABoard meeting was called to order by Chair Burton at 8:30 am on October 28, 2011.

WSACE PRESENTATION

Mr. Rowe presented the agenda for the upcoming Washington State Association of County Engineers (WSACE) Annual Meeting, to be held in conjunction with the Washington State Association of Counties (WSAC) Annual Convention, November 15-17 in Tacoma. He noted the heavy involvement of CRAB staff in the presentations.

He reported that the WSACE will be working with the Washington State Department of Transportation as they assess transportation issues state-wide. They will be stressing preservation and maintenance as the most important local needs. He will be attending the Transportation Performance Workshop on November 30. He also noted that the WSACE continues to work with the Department of Fish and Wildlife in looking at the permitting process with HPA's.

INFORMATION SERVICES

Mr. Hillesland introduced the CRAB Information Technology staff.

He noted that Mobility training has been expanded to include the new mapping function.

Mr. Ayres presented the agenda for the 22nd Annual Road Design Conference, to be held November 2-3 in Vancouver. He noted the focus on new, innovative technology. A new County Design forum will be released at the conference, which will enable registered county users to post and answer design questions on the CRAB website. Mr. Oyler demonstrated the forum.

Mr. Hagenlock reported on improvements in downloading information from the field into Mobility.

COMPLIANCE

Mr. Moorhead reported on his activities since the July 2011 CRABoard meeting.

He noted that in 2009 the Standards of Good Practice WAC 136-28 on Coordinating County Road Accident Reports was amended, setting a performance standard of 90% compliance on filing County Location Coding Forms (CLCF's) to the WSDOT Statewide Travel & Collision Data Office (STCDO). He reported that as of December 31, 2010, all

39 counties were in compliance. The amended WAC requires CRAB to notify the counties of their compliance as of September 30 and of December 31 of each year. As there is a significant time lag in posting the collisions by the STCDO, some counties may appear to be at less than 90% for some collisions that occurred late in 2010. Staff fully expects all of the counties to again be in substantial compliance in responding to available collision data as of December 31, 2011.

He reported that following the June 2011 County Engineer Training Session, an idea to create the fictitious "Dungeness County" (Washington's 40th) was developed. The background information about population, area, number and sizes of cities and towns, miles of county roads, and other aspects of the "county" is based on state-wide averages. The "Dungeness County" map was created by Jim Ayres based on a composite sketch. "Dungeness County" will be used at the County Engineer Training sessions for discussion of what to do and not do as a member of the County Engineer's staff.

INTERGOVERNMENTAL POLICY MANAGER

Mr. Monsen reviewed his county visits and activities since the July 2011 CRABoard meeting. He noted a half-day County Engineers' Training he recently conducted in Skamania County, as well as the three-day training scheduled for December 6-8, 2011 in the CRAB offices. Interest in the training remains high, and staff is discussing ways to increase the number of training sessions offered. He noted that the second update to the County Engineers' and Public Works Directors' Desk Manual will be released in mid-November.

He reported on his recent meeting with the Connecting Washington task force, which is comprised of funding agencies and city, county and state representatives. The November meeting will focus on financial needs for the cities, counties and state transportation needs. Mr. Monsen's research shows a need for counties of nearly \$150,000,000 above their current revenue sources to simply sustain current levels of road maintenance, preservation, and improvements; and the county ferry system operating subsidies. This figure does not address project backlogs or future needs.

MAINTENANCE MANAGEMENT

Mr. Pearson presented a guideline for undertaking a detailed assessment of maintenance management practices in counties. He noted that this assessment is based upon the standard of good practice as outlined in WAC 136-11, and was used during the recent review of maintenance management at Spokane County's Division of Engineering and Roads.

He noted that the WA Chapter of the American Public Works Association (APWA) has formed a new Maintenance Committee, and he is on that committee.

Meeting adjourned by Chair Burton at 10:39 am.

Chairman

ATTEST: _____