

WSDOT Ferries Division Performance Audit – 2007
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Finding 1: *Eagle Harbor's hours of service do not efficiently match the needs of WSF vessel and terminal maintenance demands.*

Recommendation 1: *Reduce indirect and overtime charges by Eagle Harbor staff.*

WSDOT Response: The Department appreciates the auditor's suggestions to improve the efficiency of our Eagle Harbor Maintenance Facility. As described below, we will conduct further analysis to determine the costs and any potential savings of adding a second shift for this facility. WSDOT's Eagle Harbor facility currently operates with a single shift comprised of crew from nine separate trades. While the facility is organized to be responsive to both maintenance and emergency repair needs of the fleet, we welcome suggestions for improvement. Reducing overtime charges is a sound recommendation, as long as the outcome still provides for addressing both emergent needs and required maintenance of our system.

The bulk of Eagle Harbor overtime is incurred in response to emergent needs, which often occurs both late in the evenings and on weekends. Therefore, it does not appear that a second shift during the week ending at 10:00 or 11:00 p.m. would eliminate a significant portion of typical overtime. However, we will analyze historical overtime patterns to determine a more precise estimate of reduced overtime from a second shift, including any potential added supervision and support costs, and determine what savings are achievable.

Action Steps and Timeframe

- Analyze historical overtime patterns and determine possible savings. We have already begun work on this action step. Prepare evaluation by April 2008.
- Work with the Governor's Office, OFM, and Legislature, as appropriate, to further evaluate this recommendation and to weigh the projected benefits against the costs. Complete by April 2008.

OFM Response: While we agree that optimizing cost-effective work schedules to minimize overtime and increase productivity is a sound business practice, more extensive analysis is needed to determine that moving to two shifts is a better way to meet these goals than working within the existing single shift model.

Eagle Harbor staff generally work from 7:00 a.m. to 3:30 p.m. With twelve vessels operating 16 hours a day and five vessels operating 22 hours a day, two shifts might make sense if there is sufficient work to do during those hours. However, the initial assessment that WSF could save from \$368,000 to \$445,000 per year does not appear to consider the additional costs that dual shifts would generate, including: (1) shift differential pay, (2) manning a safety office and store room, and (3) providing the needed supervisory and planning staff.

To assess whether or not dual shifts would result in savings, it is necessary to evaluate the costs of two shifts in comparison with a single shift model, with overtime. In particular, a number of questions would need to be addressed, including: (1) would a multiple shift format reduce the amount of time ferries are out of service during their seasonal and

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annual inspection reports? (2) would there be faster turnaround time between work order requisition and completion? (3) would it improve the condition of the fleet and terminal? and (4) would overtime costs be sufficiently reduced or eliminated after accounting for overtime related to emergencies. Once completed, an analysis of this type would need to be fully vetted to reliably determine which staffing model is most cost effective.

Finding 2: *Eagle Harbor could reduce the amount of time charged to indirect work codes.*

Recommendation 1: *Reduce indirect and overtime charges by Eagle Harbor staff.*

WSDOT Response: We agree that reducing the amount of time charged to indirect work codes is an important goal. In analyzing the costs and benefits of making improvements in this area, we will be faced with limitations of Eagle Harbor's outdated computerized time-keeping system. The limitations of this system and its inability to provide a more detailed charge coding is a major cause of work being charged as indirect. Actual indirect time charged by Eagle Harbor craftsmen includes numerous productive tasks, such as rebuilding vessel components in the various Facility's shops, mobilization, training and cleaning up.

Recording additional details on time worked by staff at Eagle Harbor and potentially reducing the amount of time charged as indirect is a sound recommendation. The department will look at ways to make changes in the detail recorded in our current time-keeping system or assess the costs of moving to a new time-keeping system. We are pleased that the audit report recognizes the limitations of this outdated system.

Action Steps and Timeframe

- Evaluate the current time keeping system's ability to record additional details on indirect time. Determine whether modifications of current system are possible. Evaluation will follow the schedule for any evaluation of a new agency-wide timekeeping system.
- Evaluate costs and business needs of a new timekeeping system in alignment with Department needs. This evaluation will consider an agency-wide timekeeping system, rather than a separate system for separate divisions or work units. Evaluation is dependent upon results of previous action and guidance from OFM.
- Review history of indirect charges at the Eagle Harbor Maintenance Facility and assess whether efficiencies can be achieved in indirect charges. Complete by April 2008.
- Work with OFM Accounting to identify the correct allocation of charges. Complete by April 2008.

OFM Response: The audit finds that indirect charges have been sustained at 25 percent of total labor charges for the past three fiscal years, implying that 25 percent indirect charges is too high. It is unclear whether the indirect charges are related to system shortcomings, accounting practices, or the nature of the work. This finding, along with finding number seven, suggests the need for improved recordkeeping for labor charges. WSF management has started to work on improving their labor reporting process. They

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should also continue to develop cost accounting improvements to reduce the amount of labor charged to indirect time codes.

Finding 3: *Less than two percent of the positions at Eagle Harbor are filled by WSF management.*

Recommendation 2: *Improve and strengthen overall management of Eagle Harbor.*

WSDOT Response: We appreciate the auditor’s recommendation and agree that sound business processes and practices are essential to a productive and efficient facility. We believe we have adequately provided management and supervisory oversight for Eagle Harbor work activities. There is a broad spectrum of work performed at the Eagle Harbor facility and the Ferries Division has taken a balanced approach to its existing organization that distinguishes between management of the facility, management of projects, and the supervision of staff members. The facility is managed by the Senior Port Engineer. Eagle Harbor project management duties, such as scope, schedule and budget for the many vessel and terminal projects, are established and monitored by project managers who are either Maintenance Department Port Engineers or Terminal Engineering Department Project Managers. Eagle Harbor Foremen are journey-level tradesmen, who work alongside their colleagues, with supervisory responsibility for completing work.

Action Steps and Timeframe

- Continue work on improving business practices. Ongoing.
- Work with the Governor’s office, OFM, and Legislature to determine whether re-organizing or adding additional management positions is a priority in their budget deliberations. This will include an evaluation of the inter-relationship of the maintenance and preservation program’s project management. Review for next legislative session.

OFM Response: We agree with the observation made in the report that “devolving decision-making down to the lowest level possible based on the skills and abilities of individuals employed by the organization” is a desirable business practice. The audit criteria applied here are drawn from “best practices” as noted in business literature. This literature asserts a one-to-six span of control (management to line staff) can lead to better alignment with the goals of the agency and increased financial cost containment and oversight. However, the audit does not provide evidence that either of these issues are problematic at Eagle Harbor. This seems to indicate that the work performed at Eagle Harbor Maintenance Yard is meeting the needs of the Ferries Division. A more thorough review of the dispersed management functions will be evaluated to determine whether increased efficiencies can be gained by a different management structure. Given the unique nature of the Ferries Division’s maintenance and preservation operations, a review of the inter-relationship of the tiered management functions will be performed.

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Finding 4: *Eagle Harbor work practices allow considerable flexibility in managing maintenance staff, creating weaknesses in control and accountability of staff performance and costs.*

Recommendation 2: *Improve and strengthen overall management of Eagle Harbor.*

WSDOT Response: We believe that the temporary promotion of journey level craftsmen into foremen roles is a good business practice. Costs and benefits of this practice are an important consideration. The primary benefit a foreman provides is a single point of communication. This is critical because operating assets move constantly, over a wide geographic area. The temporary promotion of journeymen to lead positions also provides on-the-job leadership training, helping to develop the Ferries Division workforce, and provides additional flexibility in assuring that work is completed under proper supervision.

Action Steps and Timeframe

- Work with the Governor's office, OFM, and Legislature to determine whether re-organizing or adding additional management positions is a priority in their budget deliberations. Review for next legislative session.
- Review temporary promotions (OFM action step).

OFM Response: Although we recognize advantages to temporary promotions, including inherent leadership training opportunities, we will review this practice.

Finding 5: *Eagle Harbor has insufficient performance indicators and metrics for assuring appropriate management of resources.*

Recommendation 2: *Improve and strengthen overall management of Eagle Harbor.*

WSDOT Response: We agree, and believe that developing and tracking of performance measures at the individual shop level is a sound business practice.

Action Steps and Timeframe

- Explore additional performance measures as recommended by February 2008.

OFM Response: We agree performance measures are necessary for Eagle Harbor. The Ferries Division will develop performance measures that target efficient resource utilization, and cost containment, as well as identifying a means for assessing the costs of providing different levels of service.

Finding 6: *Except in emergencies, WSF maintenance personnel lack priority-loading privileges while traveling to perform maintenance tasks. This may require them to wait for a later boat and thus incur unnecessary time charges.*

Recommendation 3: *Eliminate the no-priority boarding policy for Eagle Harbor staff.*

WSDOT Response: WSDOT's existing policy of not providing priority boarding for maintenance personnel in all situations is a sound business practice. In our experience, paying customers have little patience when Ferries Division employees receive priority

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boarding. Moreover, employees have relatively easy access to vessels in off-peak periods, and in urgent situations, priority boarding is provided – based upon the merit of that specific situation. We suspect that the cost savings from giving maintenance crews priority boarding would be quite small. Further, any possible cost savings would likely be reduced by the cost of addressing complaints from regular patrons who would be displaced.

Action Steps and Timeframe

- Assess further the scheduling of routine maintenance that requires personnel to board ferries during peak commute trips to determine whether reassignment and rescheduling is possible. Complete by December 2007.
- Assess whether existing policies related to priority boarding are impacting service delivery. Complete by December 2007.

OFM Response: OFM will follow up with the Ferries Division to ensure that, to the extent practicable, routine maintenance work that requires Eagle Harbor personnel to board ferries is scheduled off the peak commute periods.

Finding 7: *The timekeeping process at Eagle Harbor is a manual, labor-intensive, non-standardized, and inefficient process.*

Recommendation 4: *Standardize timekeeping procedures.*

Recommendation 5: *Eliminate dual entry of timecard data at Eagle Harbor.*

WSDOT Response: The Department agrees with the need for a standardized timekeeping process for all shops at the Eagle Harbor Maintenance Facility, and that the dual entry of timesheets is time-consuming.

Action Steps and Timeframe

- Currently reviewing each individual shop's process for tracking all relevant work requisitions, assignments, and hours worked. Complete by April 2008.
- Create one standardized timekeeping process that will apply to all shops. Complete by June 2008.
- Eliminate dual entry of time data by using payroll data already entered in the computerized payroll system. That payroll data is now transferred electronically to the Access database referred to in this finding. Completed.

OFM Response: We concur that WSF needs a robust timekeeping system and consistent methods and proceeds for timekeeping.

Finding 8: *WSF lacks a comprehensive set of standardized business processes, policies, and maintenance tasks.*

Recommendation 6: *Document key business processes.*

Recommendation 7: *Develop a comprehensive maintenance training program.*

Recommendation 8: *Implement a rigorous quality control/quality assurance program.*

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WSDOT Response: The Department agrees that documenting key business processes is important. As an example, the Ferries Division has documented its business processes in a division-wide Safety Management System that is consistent with the International Safety Management Code. The use of the M-PET computerized Maintenance Management System has documented the key information for each project management task for both terminals and vessel maintenance activities. Additionally, a library of drawings, schematics, and technical manuals are available to all maintenance personnel. The Ferries Division Maintenance Department also receives technical bulletins from equipment manufacturers that provide updated information on maintenance tasks. These bulletins are distributed to all appropriate staff.

The Department also agrees that a documented cross-training process for its Eagle Harbor staff at the shop level is a worthy goal. Furthermore, the Department agrees that a Quality Control/Quality Assurance program is needed for the Eagle Harbor Maintenance Facility.

Action Steps and Timeframe

- Continue documenting existing business processes. Efforts are currently underway to rollout remaining Safety Management policies and procedures applicable to both Terminal and Vessel Engineering. Major milestones on these policies and procedures will be completed by June 2009.
- Evaluate our current training program and processes for Eagle Harbor staff. Complete evaluation by July 2008.
- Develop a cost-effective strategy for achieving the goal of a cross-training process that will meet our business needs. A strategy for developing a cross-training maintenance program will be in place subsequent to the evaluation. This will be done in accordance with the development of the training budget (July 2008).
- Implement a Quality Control/Quality Assurance program at the Eagle Harbor facility starting with vessel and terminal critical systems. Management fully supports and is actively involved in the development of this program. Complete by July 2008.

OFM Response: The Ferry Division is working on improving their QA/QC process as well as standardizing their business practices and documenting their business processes.

Finding 9: *There is a lack of communication and information exchange among departments at WSF, which has the potential for causing financial management risk and business inefficiencies.*

Recommendation 9: *Establish an agency-wide task force to facilitate data sharing and exchange.*

WSDOT Response: The department appreciates the auditor's focus on improving communication. The Ferries Division is a large organization and is spread throughout a reasonably large geographic area and we are constantly striving towards efficiencies and improvements in this area.

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Since fieldwork for the audit was completed, the Ferries Division has reorganized and established the position of Chief of Staff/Deputy Executive Director. In an effort to streamline many internal departments and to provide some balanced cooperative work with the Executive Director, there are many functional areas now reporting directly to this position. These moves reflect the overarching organizational importance of these areas and the need to provide a stronger alignment with WSDOT headquarters in Olympia.

WSDOT believes that this organizational realignment will enhance internal communication and foster greater information exchange between departments. We believe that these improvements will address the auditor's concerns in the finding.

Action Steps and Timeframe

- The reorganization was completed in June 2007.
- Improve communication strategies. Ongoing.

OFM Response: Although Eagle Harbor's physical separation from WSF headquarters may have contributed to its being somewhat isolated, it has also facilitated a highly functional, self sufficient workforce. Nevertheless, as recommended in this report, it is imperative to have an integrated knowledge management system to ensure that information is captured, documented, and shared uniformly across WSF.

Finding 10: *WSF provides a level of service above what traffic volumes demand.*

Recommendation 10: *Change WSF's ferry service schedule to reduce operational losses.*

WSDOT Response: The Department agrees that some sailings have space available during off peak hours. We appreciate the auditor's review of sailings with lower utilization, and believe that the information, with further data and analysis, may be useful in the work currently underway in Phase II of the Joint Transportation Committee's Ferry Financing Study. However, several factors will affect how the Department addresses this recommendation.

The Ferries Division is defined by the legislature as both an extension of the state highway system and a mass transit provider. As a mass transit provider, there must be a balance in accommodating peak demand periods with providing some level of connection and usefulness to customers in off-peak hours. In the manner that highways are not closed during hours of low utilization, canceling off-peak ferry sailings must consider factors in addition to utilization. Scheduling runs to meet expected service levels requires numerous parties including the legislature, affected local communities, ferry advisory committees, collective bargaining agreements, Puget Sound employers and employees, transit services, and health and social services considerations. Each of these groups have different roles in the process. However, the audit report focused solely on ferry capacity utilization, and in some cases, existing assumptions are based upon very necessary, yet incomplete data. As such, we must balance potential financial savings with the basic

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principle of providing reliable and predictable service to our customers as a part of the highway system.

Action Steps and Timeframe

- The Department is engaged in an effort with the Legislature as part of Phase II of the Ferry Financing Study to develop ways of attracting more ridership to less utilized off-peak sailings. If successful, this would enable more revenue to be generated by off-peak trips and still maintain necessary connections for off-peak riders. Current efforts, as part of both the current ferry finance study and processes underway as part of Engrossed Substitute House Bill 2358, are scheduled throughout 2008 and 2009.
- Work with the Legislature, Governor's office, OFM, and other partners to evaluate whether these runs could be cut within the confines of Ferries Division level of service standards. This evaluation will also include the savings projected by Ernst & Young. We will also consider changes required to collective bargaining agreements, traffic data on island routes not considered in the auditor's conclusions, and changes that would be required to crew schedules. Pending the results of this analysis, and based on direction we receive from these parties, we will further evaluate the savings projected by Ernst & Young in this report.

OFM Response: While this finding is worthy of further consideration, it is premature to assume cost savings of almost \$10 million from service cuts. The audit report suggests that eliminating at least one of three consecutive underutilized routes could theoretically enable the ferries system to honor the current one-boat wait service level standard. A problem with the theory, however, is not all passengers will catch the next boat. This, in turn, means revenue decreases. Another problem with the theory is that it does not consider the value of time for those that must wait for the next run. The report suggests, for example, eliminating the first sailing on the Seattle-Bremerton run which would mean those sailing on the 6:00 a.m. trip would be accommodated instead on the 7:35 a.m. sailing. Such schedule adjustments would be highly controversial, even though they could potentially generate fuel and labor savings.

Determining the optimal level of service is complex as noted in the WSDOT response to this finding. The report's recommendation of eliminating some runs that have 60 percent utilization or below, although intuitive, does not account for such complexities. It is worth noting, however, that more could be done to increase the utilization on some sailings. Unfortunately, this was not addressed in the report. Level of service discussions need to include such variables as (1) the ability to shift demand away from peak travel periods, (2) the potential impact of using different pricing strategies such as reservation systems or time of day pricing, (3) the specific market characteristics of individual routes, (4) the tolerance for different fare thresholds, and (5) operating strategies such as one point versus two way toll collection. These issues are currently being considered by the Joint Transportation Committee, in the second phase of its Ferry Financing Study.

Like other transit systems, the Ferries Division is heavily dependent on ridership forecasts. As the report points out, there has been a trend over the last few years of

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declining volumes in both passengers and vehicles in the wake of increased fares, due in large part to the loss of state subsidy that resulted in 1999 when Initiative 695 passed. I-695 reduced car tabs to a flat \$30 fee and eliminated a significant source of Ferries Division revenue. Recommending elimination of service based on these forecasts seems to be premature given out-year forecasts that show ridership growth. The report did not sufficiently include consideration of these forecasts.

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Finding	WSDOT Action	Who	When
1	Analyze historical overtime patterns at Eagle Harbor and determine possible savings.	WSDOT	April 2008
1	Work with the Governor's Office, OFM, and Legislature, as appropriate, to further evaluate the recommendation to reduce indirect and overtime costs, and weigh the projected benefits against the costs.	WSDOT	April 2008
2	Evaluate the current timekeeping system's ability to record additional details on indirect time.	WSDOT	Consistent with schedule for any evaluation of a new agency-wide time keeping system.
2	Evaluate costs and business needs of a new timekeeping system in alignment with Department needs.	WSDOT, OFM	Consistent with agency-wide efforts on a new time keeping system and based on direction provided.
2	Review history of indirect charges at the Eagle Harbor Maintenance Facility and assess whether efficiencies can be achieved in indirect charges.	WSDOT	April 2008
2	Work with OFM Accounting to identify the correct allocation of charges.	WSDOT	April 2008
3	Continue work on improving business practices at Eagle Harbor.	WSDOT	Ongoing
3,4	Determine whether re-organizing or adding additional management positions at Eagle Harbor is a priority in budget deliberations.	WSDOT, OFM, and Legislature	By next legislative session
4	Review temporary promotions at Eagle Harbor.	OFM	
5	Explore additional performance measures at shop-level as recommended.	WSDOT	February 2008
6	Assess further the scheduling of routine maintenance that requires personnel to board ferries during peak commute trips to determine whether reassignment and rescheduling is possible.	WSDOT	December 2007
6	Assess whether existing policies related to priority boarding are impacting service delivery.	WSDOT	December 2007

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Finding	WSDOT Action	Who	When
7	Review each individual Eagle Harbor shop's process for tracking all relevant work requisitions, assignments, and hours worked.	WSDOT	Underway, complete by April 2008
7	Create one standardized timekeeping process that will apply to all Eagle Harbor shops.	WSDOT	June 2008
7	Eliminate dual entry of time data by using payroll data already entered in the computerized payroll system.	WSDOT	Completed
8	Continue documenting existing business processes, including rollout of remaining Safety Management policies and procedures applicable to both Terminal and Vessel Engineering.	WSDOT	Major milestones completed by June 2009
8	Evaluate our current training program and processes for Eagle Harbor staff.	WSDOT	In accordance with the development of the training budget: July 2008
8	Develop a cost-effective strategy for achieving the goal of a cross-training process, and subsequently a cross training maintenance program, that will meet our business needs.	WSDOT	July 2008
8	Implement a Quality Control/Quality Assurance program at the Eagle Harbor facility starting with vessel and terminal critical systems.	WSDOT	July 2008
9	Realign organization to enhance internal communication and foster greater information exchange between departments.	WSDOT	Completed
9	Improve communication strategies.	WSDOT	Ongoing
10	Work with the Legislature as part of Phase II of the Ferry Financing Study to develop ways of attracting more ridership to less utilized off-peak sailings.	WSDOT, Legislature	Scheduled throughout 2008 and 2009
10	Evaluate whether runs can be cut within the confines of Ferries Division level of service standards. This will include changes required to collective bargaining agreements, traffic data on island routes not considered in the auditor's conclusions, and changes that would be required to crew schedules.	WSDOT, Legislature, OFM, and other partners	Based on direction provided