

## **PUBLIC TESTIMONY SUMMARY**

### **I-900 STATE AUDITOR'S PERFORMANCE AUDIT:**

#### **King County Solid Waste and Wastewater Treatment Utility Operations (September 16, 2009)**

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As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits  
on September 23, 2009

*The performance audit being discussed at this hearing was conducted solely and independently by the office of the State Auditor, under the authority of legislation approved by the voters in Initiative 900. The State Auditor is elected directly by the people of the State of Washington and operates independently of the Legislature and the Joint Legislative Audit & Review Committee. Staff to the Joint Legislative Audit & Review Committee prepare a summary of public testimony on State Auditor reports. These summaries are for informational purposes only, and do not serve as an assessment by committee staff of the findings and recommendations issued by the State Auditor nor do they reflect a staff opinion on legislative intent.*

#### **Title: King County Solid Waste and Wastewater Treatment Utility Operations**

##### **Audit Scope and Objectives:**

The audit reviewed King County's Solid Waste Division and Wastewater Treatment Division operations from fiscal years 2005 through 2008. The review was to answer the following questions:

- How effective are King County Utilities in limiting administrative expenses such as administrative salaries charged against them and limiting administrative staffing levels to those necessary for the legal, reliable, and safe operation of their utilities?
- How effective is King County in operating these utilities in the most efficient and economical manner possible?
- How effective has King County been in limiting overhead allocations and other expenditures charged against utilities to those that are allowed by state law and municipal code and are reasonable and necessary?

In addition, the report indicates that the audit was conducted in accordance with the required elements of Initiative 900.

<b>SAO Findings:</b>	<b>SAO Recommendations:</b>
<p>The report discusses six audit issues:</p> <ul style="list-style-type: none"> <li>• Central Service and Finance overhead charges;</li> <li>• Fleet maintenance management and operations;</li> <li>• Fleet facilities and Cedar Hills Regional Landfill;</li> <li>• Biogas use;</li> <li>• Overtime expenses; and</li> <li>• Information technology.</li> </ul>	<p>The report includes five overarching recommendations:</p> <ul style="list-style-type: none"> <li>• The County should charge utilities and other departments for services that directly benefit them and reflect the true value of the services provided and the actual cost of operations;</li> <li>• The Solid Waste Division’s Fleet Maintenance should focus on preventative maintenance rather than emergency repairs;</li> <li>• The County should recirculate leachate and relocate the Solid Waste Division’s Fleet Maintenance facility to maximize the life of Cedar Hills Regional Landfill. The County will need to obtain approval from the state Department of Ecology for a permit change to implement this recommendation;</li> <li>• The County should review construction practices and cost estimation to ensure it does not commit to projects before they are determined to have a cost benefit;</li> <li>• The County should ensure information technology controls are adequate and consistent with best practices to ensure data integrity is safeguarded and preserved.</li> </ul> <p>This report does not contain recommendations to the Legislature.</p>
<b>Agency Responses in Audit Report?</b>	Yes, in Appendix I.
<b>Legislative Action Requested?</b>	No

**Agencies Testifying:**

King County (Ken Guy, Finance Director; Kevin Kiernan, Solid Waste Division Director)

**Summary of Testimony from Audited Agencies:**

The County believes there is value in conducting performance audits. We appreciate that the audit recognizes 22 leading practices that the County utilities are already implementing, and the audit also supports County efforts to extend the life of the Cedar Hills landfill.

The audit did provide insights for making improvements, many of which the County has under way. Our main concern is that the five-year estimated cost savings are significantly overstated and are misleading to the public. The savings estimates presented do not figure in the costs of implementation of the recommendations or other practical considerations. A more realistic estimate of potential savings from this audit is \$8 million over a five-year period rather than the

\$88 million figure presented in the report. We respectfully disagree with SAO on its recommendation related to overhead charges associated with working with our elected officials. The County will work to enhance its documentation on the allocation of overhead costs.

The estimated cost savings for extending the life of the landfill are significantly overstated. The Solid Waste utility is in the process of completing an environmental review under the State Environmental Policy Act (SEPA) to look at five options for extending the life of the landfill. The audit recommends adoption of one of those options and estimates an associated cost savings. However, that estimate does not include offsetting costs, and the benefits would not accrue until 2028 at the earliest. Concurring with the recommendation now would violate SEPA. SEPA requires looking beyond dollar costs and benefits; we have to consider factors such as environmental and neighborhood benefits. The audit also proposes a landfill leachate recirculation system, with an associated cost savings, but this too overlooks offsetting costs and practical concerns such as odor control. We have to consider risk and not just the lowest-cost option.

In the exit conferences, we raised significant issues and pointed out factual clarifications that should have been addressed earlier in the audit process. We asked the Auditor's Office if it planned to review our detailed comments and possibly make changes to the report; the feedback we received was that there would be no further changes. SAO did not provide adequate time to review the final report and missed the opportunity to carefully consider and discuss our concerns.

**Other Parties Testifying:**

(No other parties signed in to testify.)

**Summary of Testimony from Other Parties:**

(No other parties signed in to testify.)