

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Seattle Public Utilities Operations (September 24, 2009)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on October 21, 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: Seattle Public Utilities Operations

Audit Scope and Objectives:

The scope of this audit included the Utility's Water, Solid Waste, and Drainage and Wastewater enterprises. The auditors reviewed data from January 1, 2005 through December 31, 2007 for the objectives related to overhead costs. The auditors reviewed data from August 2008 through December 2008 for the efficiency and administrative staff objectives.

The report indicates this audit was conducted to answer the following questions:

- Does the Utility operate in the most efficient and economical manner possible?
- Are administrative staffing levels and related expenses limited to those reasonable and necessary to help ensure the safe and efficient operation of the Utility?
- During the past three years, have the Utility and the City of Seattle limited overhead allocations to levels allowed by applicable statutes, ordinances, and federal regulations, as well as to those reasonable and necessary?

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

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| <p>SAO Findings: The audit identifies issues in 11 categories:</p> <ul style="list-style-type: none"> • Business utility taxes; • Allocation of indirect costs; • Utility expense policies; • Fleet management; • Overtime; • SPU Organization; • Customer Service Call Center Operations; • Billing and Meter Reading; • Debt Financing; • Sick Leave; and • Asset Management. | <p>SAO Recommendations: The audit provides recommendations in each of the 11 categories.</p> <p>The audit does not include any recommendations to the Legislature.</p> |
| <p>Agency Responses in Audit Report?</p> | <p>Yes; there is a response from Seattle Public Utilities in Appendix H.</p> |
| <p>Legislative Action Requested?</p> | <p>No</p> |

Agencies Testifying:

Seattle Public Utilities (Guillemette Regan, Director of Corporate Policy and Performance)

Summary of Testimony from Audited Agencies:

Seattle Public Utilities welcomed the audit. The Utility has undertaken efforts over the last several years to benchmark its performance. We began early on to implement recommendations as the audit team identified them, and we continue to work on implementation. We appreciated the professionalism and collaborative approach of the audit team. We agree with the majority of the findings. There may be more difficulty in implementing some of the recommendations; these will require us to work closely with the Mayor, the City Council, and the labor unions. Our intent is to move forward.

Other Parties Testifying:

(No other parties signed in to testify.)

Summary of Testimony from Other Parties:

(No other parties signed in to testify.)