



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

September 13, 2010

Motion 13325

Proposed No. 2010-0438.1

Sponsors Phillips

1 A MOTION approving the Solid Waste Division Progress
2 Report On Washington State Auditor's King County Utilities
3 Audit Recommendations as required by the 2010 Budget
4 Ordinance, Ordinance 16717, Section 102, solid waste,
5 Proviso P3.

6 WHEREAS, the 2010 Budget Ordinance, Ordinance 16717, Section 102, solid
7 waste, Proviso P3, provides that of this appropriation, \$25,000 may not be expended or
8 encumbered until the executive has submitted for council consideration and acceptance
9 by motion, a report on progress by the solid waste division on implementing
10 recommendations from the Washington State Auditor's King County Utilities Audit with
11 which the division concurred or partially concurred, and

12 WHEREAS, the 2010 Budget Ordinance, Ordinance 16717, Section 102, solid
13 waste, Proviso P3, states that the report shall also include any actual or projected savings
14 resulting from implementation of those recommendations, and

15 WHEREAS, the 2010 Budget Ordinance, Ordinance 16717, Section 102, solid
16 waste, Proviso P3, states that the report shall additionally address the status of the
17 division's development of a formal overtime policy for division employees, and

18 WHEREAS, the 2010 Budget Ordinance, Ordinance 16717, Section 102, solid
19 waste, Proviso P3, states that the report should be transmitted to the council by August 1,
20 2010;

21 NOW, THEREFORE, BE IT MOVED by the Council of King County:

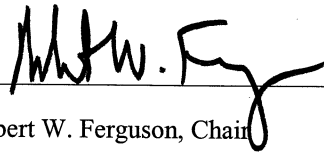
22 The Solid Waste Division Progress Report On Washington State Auditor's King
23 County Utilities Audit Recommendations, prepared in accordance with the 2010 Budget

24 Ordinance, Ordinance 16717, Section 102, solid waste, Proviso P3, which is Attachment
25 A to this motion, is hereby approved.
26

Motion 13325 was introduced on 8/23/2010 and passed by the Metropolitan King County Council on 9/13/2010, by the following vote:

Yes: 9 - Ms. Drago, Mr. Phillips, Mr. von Reichbauer, Mr. Gossett,
Ms. Hague, Ms. Patterson, Ms. Lambert, Mr. Ferguson and Mr. Dunn
No: 0
Excused: 0

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Robert W. Ferguson, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments: A. Solid Waste Division Progress Report on Washington State Auditor's King County Utilities Audit Recommendations

**Solid Waste Division
Progress Report On
Washington State Auditor's
King County Utilities Audit Recommendations**

**Prepared in accordance with
Adopted Budget Ordinance 16717
Section 102 Solid Waste Proviso 3**

July 2010



King County

Department of Natural Resources and Parks
Solid Waste Division

INTRODUCTION

This report has been prepared in response to Adopted Budget Ordinance 16717 Section 102 Solid Waste Proviso 3, passed by the King County Council in November 2009. The proviso states:

- Of this appropriation, \$25,000 may not be expended or encumbered until the executive has submitted for council consideration and acceptance by motion, a report on progress by the solid waste division on implementing recommendations from the Washington State Auditor's King County Utilities Audit with which the division concurred or partially concurred.
- The report shall also include any actual or projected savings resulting from implementation of those recommendations.
- The report shall additionally address the status of the division's development of a formal overtime policy for division employees.
- The report should be transmitted to the council by August 1, 2010.

BACKGROUND

Beginning in August 2008, under the authority of Initiative 900, the Washington State Auditor's Office began a performance audit of the Solid Waste Division (the division) for the years 2005, 2006, and 2007. The audit was conducted by the state's contractor Ernst & Young. After initial review of a wide range of information and data, the state selected the following areas of focus for the audit of the division:

1. Fleet Maintenance Management
2. Leachate Management at the Cedar Hills Regional Landfill
3. Overtime
4. Rent for the Cedar Hills Regional Landfill

The state issued an audit report in September 2009, with findings in the areas of fleet management, leachate management, and overtime. There were no findings in the area of Cedar Hills rent. The proviso response with respect to these issues is provided below.

FLEET MAINTENANCE MANAGEMENT

The audit identified eight issues in the area of fleet maintenance management and provided recommendations to address the issues. The division concurred either partially or completely with five of them.

Audit Report Issue FL.1

Auditor Issue

Monitoring and managerial controls are not adequate to control costs and priorities.

Auditor Recommendation

Operations and Fleet Management should meet to discuss high-level metrics, leading practices, improvement ideas, and identify/rectify issues.

Division Response

Partially concur – The division began addressing this issue in 2007 before the audit began, and some savings have resulted from this effort. The division understands that improvement should be ongoing and is continuing work in this area with a focus on the specific issues identified in the audit

A transfer facility inspection program, which was implemented late in 2007, prior to the audit, serves to reduce the cost per repair at the transfer facilities while reducing or eliminating downtime. A senior mechanic was assigned to develop detailed inspection protocols for the transfer facilities and perform regular in-depth inspections, as well as regular quality assurance checks on maintenance work performed at the transfer facilities. Data capture of equipment downtime is still in progress, but the division recognizes that there is reduced downtime as equipment is serviced and repaired prior to its failure. As the purpose of the site inspection process is to find needed repairs, it is natural that the number of repairs has increased. However, these repairs are less substantial, which contributes to a lower per-repair cost. Prior to implementation of the site inspection program, the average cost per repair was \$133.32; since the inception of the site inspection program, the average cost per repair is \$129.07.

In 2010, the division plans to make this program and the quality assurance/quality control senior mechanic position permanent. The senior mechanic will continue to monitor, but not perform all inspections, freeing time to expand the QA/QC role to other equipment and systems. Additionally, the division is developing a pilot program to decentralize transfer facility maintenance, focusing on preventative maintenance of equipment and systems. As the division renovates the transfer system a focus on facility maintenance is essential.

Audit Report Issue FL.2

Auditor Issue

Fleet Management spends too much time on unplanned maintenance.

Auditor Recommendation

Fleet Management should perform ongoing analysis of demand (unplanned) maintenance work orders to identify causes by repair type, location, employee, and root cause.

Division Response

Concur – The division agrees that the ratio of unplanned to preventive maintenance is too high. The division began addressing this issue before the audit began and is continuing work in this area.

Actions described in the division's response to FL.1 also address the issue raised in FL.2. Additionally, in early 2008 the division began tracking related to employee caused damage and, as appropriate, employees are held accountable.

Like FL.1, there have been savings in this area due to programs that began prior to the audit. An inspection program focusing on preventative maintenance of long-haul trucks began in June 2008. As a result of that program, preventative maintenance versus demand maintenance has

increased to an average of 72 percent from the prior average of 61 percent. Average cost to maintain the truck fleet has decreased approximately \$4,000 per month under this program.

Audit Report Issue FL.3

Auditor Issue

Fleet Management program does not have a formal documented process for quality control inspections nor do they perform quality assurance inspections required by standard operating procedure.

Auditor Recommendation

Fleet Management should ensure that quality control procedures are conducted by management.

Division Response

Concur – As noted in FL.1, work in this area also began prior to the audit. In addition to actions taken by the division for FL.1, detailed definitions for equipment and system inspections have been developed and as required by standard operating procedure are now in use. Documentation and program development are ongoing and performance measurements are being developed to verify that the process is working and to identify needed adjustments. Savings in this area are described under FL.1.

Audit Report Issue FL.4

Auditor Issue

Fleet Management program does not track the performance measures against maintenance goals established in the Standard Operating Procedure Manual.

Auditor Recommendations

1. Ensure performance measures are collected, measured, and compared to performance goals.
2. Develop performance metrics with consideration of metrics itemized in Appendix G: Recommended Fleet Performance Metrics.

Division Response

Concur – Limited draft measures have been developed, which will be expanded, tracked, and refined during 2010/11 as the program progresses. Measures include direct work time vs. indirect time and preventative maintenance vs. demand maintenance, as recommended by the auditor. No savings specific to this issue or the audit recommendations have been identified, but performance measures have helped prioritize work and have been used to ensure proper allocation of staff and other resources.

Audit Report Issue FL.6

Auditor Issue

SWD Fleet Maintenance program charges more time to indirect activities than the benchmark 20 percent established by its Standard Operating Manual.

Auditor Recommendations

1. Fleet Management should make performance measurement and accountability a priority.
2. County should develop performance measures and reports.

Division Response

Concur – The ratio of direct to indirect labor hours of the Fleet Maintenance program has continued the steady improvement shown through the period of the audit – direct labor hours were 63 percent, 68 percent, and 69 percent respectively for the years 2005, 2006, and 2007. Direct labor hours were 75 percent of total hours in 2008, 76 percent in 2009, and are 76 percent for the period of January 1 to May 31, 2010. This improvement is attributable to improvements in tracking of hours and scheduling of work. As noted in FL.4, direct to indirect work time has been adopted as a performance measure. No savings specific to this issue or the audit recommendations have been identified.

LEACHATE

One issue was identified in the area of leachate management at the Cedar Hills Regional Landfill.

Audit Report Issue LE.1

Auditor Issue

The Solid Waste Division can extend the life of the Cedar Hills Landfill, which can result in lower operating costs and generate revenue, resulting in lower rates charge to landfill customers.

Auditor Recommendation

Based on a preliminary analysis, recommend that the division conduct an engineering analysis to determine the best means of securing potential costs savings from recirculating leachate.

Division Response

Concur – The division concurs with the recommendation. There will be an assessment of leachate recirculation for any future development of the Cedar Hills Regional Landfill, considering benefits, constraints, and risks. Based upon that assessment, a full engineering analysis may be conducted.

While there are potential benefits from leachate recirculation, there are also constraints, including water saturation leading to uneven settlement of the landfill, leachate and gas system failure, slope failure, excess odor, and bottom liner failure. The division is not currently considering leachate recirculation in areas that have already been developed and/or permitted. Existing permits for areas 5, 6, and 7 do not allow leachate recirculation.

As acknowledged in the audit report, the auditor's calculation of estimated savings did not include any costs of installing leachate recirculation. Given these costs and the risks associated with leachate recirculation, the auditor's asserted savings are unlikely to be realized. A study of leachate recirculation conducted by the division in 2002 did not conclude that benefits would outweigh constraints (which are significant) and costs.

OVERTIME

Two issues pertinent to solid waste division overtime were identified; the division concurred with one.

Audit Report Issue OT.3

Auditor Issue

Overtime budgets are based on an estimated inflationary factor rather than actual rates experienced and forecasts, contrary to best practices.

Auditor Recommendation

The overtime budgeting process should be adjusted in consideration of analysis of current conditions and expenditure levels so the following year's budget more accurately reflects expected actual expenditures.

Division Response

Concur – The division has adopted this recommendation. The 2010 budget for overtime is based on a calculation of actual projected overtime hours. No savings associated with this issue or the audit recommendation has been identified.

Overtime Policy

The issue related to solid waste overtime with which the division did not concur included a recommendation that the division develop and implement a formal overtime policy.

Auditor Recommendation

Recommend that the division develop and implement formal documented overtime policies regarding the use and payment of unauthorized overtime. The policy should state the circumstances in which overtime may be incurred without preauthorization, and should also state that overtime worked that is not in accordance with the policy will not be paid.

Division Response

Do not concur – Management has communicated overtime expectations to staff via memorandum and the employees have generally met these expectations. Exceptions are handled on a case-by-case basis. The division will consider whether a more formal policy is desirable. Any such policy would not include a stipulation that unauthorized overtime will not be paid; the division believes it would be illegal not to pay for work performed.

Follow up

Overtime in the division is subject to the executive policy on overtime (PER 8-2-1) and applicable collective bargaining agreements. The division determined that current procedures are consistent the executive policy and the bargaining agreements. With few exceptions, division employees must receive permission in advance of each instance of overtime. Exceptions occur when employees have in advance been given written permission for overtime if it meets pre-determined criteria, such as serving customers at a transfer station who are present past the regular quit time. Given that a comprehensive executive policy already applies, a separate division specific policy is not appropriate. The division will continue to track overtime use and actively pursue any deviations from policy.