



City of Seattle
Seattle Public Utilities

Memorandum

To: Councilmember Jean Godden, Chair Libraries, Utilities and Center Committee
CC: Seattle City Council
From: Ray Hoffman
Date: March 5, 2013
Subject: Internal Controls Implementation Work Plan Status Report

Seattle Public Utilities (SPU) presents the first quarterly report regarding the status of its implementation of Internal Controls recommendations developed in 2012.

Background

The four-year internal controls implementation work plan (2013 – 2016) was developed as a result of a large scale effort, including three external audits and multiple internal assessments, to review all of SPU's financial internal controls. The progression of work plan actions is based on the interconnectedness of activities and responsibilities and aligns with major technological upgrades.

Approach

While strengthening financial controls is the major thrust of SPU's internal controls work plan, SPU also has an opportunity to improve efficiencies and enhance customer service. As a result, SPU's approach to implementing the audit and assessment recommendations is holistic in nature.

Foundational Efforts

Significant efforts that provide the foundation for work plan implementation are underway. These efforts include:

- Comprehensive redesign and restructuring. Development of a new business model that will centralize and simplify SPU's developer services activities, which include water main extensions and taps, is underway. This effort is examining all business processes for those interactions that SPU has with customers who want to establish new or modify existing connections to SPU's utility systems. In addition, the Finance Division has begun restructuring to incorporate additional internal controls functions. These functions will be supported by the addition of three positions as well as potential reallocation of unfilled positions. Financial policies and procedures will be developed to support the functions.

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- Hiring processes. The work plan anticipated that a large number of actions would be initiated by the end of 2013 with the help of added resources. Council subsequently approved, as part of the December 2012 fourth quarter supplemental budget process, six additional resources, two of which are term limited for the duration of the work plan. SPU is in the process of filling all six positions. One position is in the midst of selection the other positions are in the various stages of the selection process – testing, resume screening and interviewing.

Specific Tasks in Progress

Specific work plan tasks are also in progress. Those tasks include:

- Credit card assessment - A project has been developed to review and assess overall requirements and practices related to credit card issuance, use, approval and administration. To date, 23 credit cards have been canceled. Policy and process recommendations are anticipated in the second quarter.
- Grants and Memorandum of Agreements (MOAs) – Implementation of a centralized approach for the identification and application of all grants and a centralized location for MOAs; a centralized agreement library has been created and is being filled.
- Scrap, surplus and salvage centralization and standardization - The centralized approach is in the process of being developed within SPU's warehousing group. Roll-out of the new approach to managing SPU's scrap and surplus property is anticipated by the end of the year.
- Sundry changes – Multiple changes have begun for sundry transactions. Changes already implemented include redirecting transfer station and other sundry checks directly to Treasury for deposit. In addition, SPU A/R is now invoicing for additional services.
- Walk-in-Center – A number of changes were made to procedures at the Utility Billing Payment Center on the 27th floor of the Seattle Municipal Tower including shifting responsibility for some payment transactions to City Treasury and Seattle City Light, thereby reducing the cash and check handling exposure for SPU.