Seattle Public Utilities Commercial Solid Waste Billing Controls Audit

September 2, 2026

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Seattle Office of City Auditor

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REPORT HIGHLIGHTS

Background

The objective of this audit was to determine if Seattle Public Utilities' (SPU) internal controls provide reasonable assurance of accurate, complete, and timely billing for commercial solid waste services. SPU contracts with two companies, Waste Management of Washington (WM) and Recology King County (Recology), for solid waste collection services in Seattle.

What We Found

In general, we found that SPU has implemented several billing controls to meet their objectives. We identified some areas for SPU to strengthen controls and oversight of contractor billing, particularly around billing accuracy and timeliness. We also reviewed SPU's general controls over third-party cybersecurity risks and issued a management letter with recommendations to strengthen controls.

Recommendations

We make five recommendations in this report. First, we recommend that SPU perform more frequent, risk-based reviews of contractor billing, including a specific review of one contractor's new procedures. SPU should also clarify the requirements for contractors to notify SPU of past-due accounts and to address the risk of customer debt avoidance. Finally, we recommend that SPU finalize its procedure for approving large customer adjustments.

Department Response

In their formal, written response to our report SPU stated that they generally concurred with the report findings (see Appendix A).

Why we did this audit

We conducted this audit because we identified commercial solid waste billing as a high-risk area among SPU operations. We conducted an audit of residential solid waste billing in 2022.

How we did this audit

To accomplish the audit's objectives, we reviewed documented processes related to the billing of commercial solid waste services, conducted interviews with SPU and the contractors, and performed testing of select internal controls to determine if they are working as intended.

Seattle Office of City Auditor
Arushi Thakorlal, Acting City Auditor
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INTRODUCTION

Audit Overview

The objective of this performance audit was to determine if Seattle Public Utilities' (SPU) internal controls provide reasonable assurance of accurate, complete, and timely billing for commercial solid waste services. The scope for this audit included commercial solid waste billing and controls activities in place between January 1, 2024, and May 1, 2026.

We reviewed control documentation and tested selected controls over solid waste billing to determine if they are working as intended. We found that SPU has implemented several billing controls that are generally effective in ensuring that commercial solid waste billing is accurate, complete, and timely. However, we identified certain areas where controls could be further strengthened and make five recommendations in this report related to these areas.

We also reviewed SPU's general controls over third-party cybersecurity risks, specifically related to commercial solid waste contractors, and issued a management letter with recommendations to strengthen the controls.

SPU generally concurred with the report's findings and recommendations (see Appendix A). We thank SPU personnel and contractor staff for their cooperation during the audit.

The audit team for this project included Melissa Allman and IB Osuntoki. We express our appreciation for our former colleague Marc Stepper, who was the Auditor-in-Charge for this audit before he passed away unexpectedly in November 2025. Marc joined our office in 2012 as our first Utilities Auditor and brought his expertise as a Certified Public Accountant, Certified Fraud Examiner, and Certified Information Systems Auditor. Beyond his technical knowledge, we remember Marc fondly for his great sense of humor, genuine care for his coworkers, and deep love for his family.

Background

SPU contracts with two companies, Waste Management of Washington (WM) and Recology King County (Recology), for solid waste collection services in Seattle. These contractors service and bill commercial customers (i.e. businesses), collect the payments, and transfer the payments to the City. This is different than for residential customers, where SPU bills and collects payments from customers directly. SPU uses a dedicated Solid Waste Fund to pay for solid waste services including contract payments, labor, and other operational costs. The fund is almost entirely supported by utility fee revenue and had a net position of $332.4 million and $275.7 million at the end of 2025 and 2024, respectively. Baker Tilly audited the financial statements of the Solid Waste Fund for the year ending December 31, 2025.

This performance audit focuses on commercial solid waste billing. We conducted a performance audit of residential solid waste billing in 2022. SPU established exclusive geographic service zones for each contractor's garbage collection services. Commercial customers sign up with the contractor assigned to their area and choose between different services, including can, dumpster and/or dropbox service. Contractors pick up garbage from businesses and deliver it to SPU's transfer stations. SPU's current contract with each company runs for 10 years, beginning on April 1, 2019, and ending on March 31, 2029. In 2025, SPU reported 8,256 active commercial solid waste accounts.

OVERSIGHT OF CONTRACTOR PROCEDURES

Section Summary

In general, we found that SPU provides adequate oversight of contractor billing procedures to ensure accuracy, completeness, and timeliness. However, there are certain risk areas that are not addressed by SPU's current review practices. These risk areas include charges for extra garbage, new billing rates, contractor data reliability, and changes to contractor processes. We recommend that SPU perform more frequent risk-based reviews to address these areas, as well as other emerging risks.

SPU performs monthly and annual account reviews

WM and Recology bill commercial customers directly for the solid waste services they provide. WM performs billing operations in-house. Recology also performs most of their billing operations in-house but uses a third-party company to send invoices to customers. Commercial customers send their payments to the solid waste contractors, and the contractors transmit that money to the City in lump-sum deposits. As part of their oversight of contractor accounting and compliance, SPU performs two main reviews of contractors' commercial customer billing: a monthly accounts receivable reconciliation and an annual commercial review of the contractors' billing practices.

SPU reviews contractor billing payments for accounting discrepancies monthly. Contractors submit monthly account reconciliation and detailed customer account data to SPU. SPU performs monthly reconciliations, which involve comparing SPU's ending accounts receivable balance to the contractors' reported ending accounts receivable balance. SPU makes needed adjustments like for payments in transit and bad debt not yet processed. SPU also estimates the billing revenues for subsequent months and adjusts them with actual amounts once they are known.

SPU's commercial annual reviews identified recurrent billing issues. SPU conducts an annual review to test contractors' compliance with commercial revenue requirements and other key financial functions. SPU's 2022/2023 review noted significant areas of concern regarding the accuracy of Recology customer billing data, including incorrect rates that caused both underand overpayments from customers and SPU, incorrect customer credits, and unreconcilable amounts in reports submitted to the City of Seattle (City). SPU recommended that Recology take steps to fix the issues including conducting regular reviews of customer billing data.

However, SPU noted some of the same issues regarding the accuracy of Recology customer billing data during their 2024/2025 review, indicating any actions taken by Recology to address earlier recommendations were insufficient. SPU also experienced delays in receiving requested documentation and omissions in the documentation requested.

SPU has not always been able to complete the commercial annual reviews timely because of resource constraints. SPU's procedures state that the annual review should be completed by mid-December for the 12-month period covering June 1 through the most recent May 31. During our audit fieldwork, we asked SPU for the 2023/2024 and 2024/2025 reviews, and SPU stated they were not complete yet because of staffing issues. SPU staff explained there were two accounting position vacancies in 2023 and 2024, which impacted their ability to complete the reviews. SPU later provided the 2024/2025 review in May 2026, which was five months late; SPU attributes much of this delay to not receiving data timely from the contractors. SPU told us they do not plan to complete the 2023/2024 review because too much time has passed for this review to provide additional useful insights that the 2024/2025 review has not already provided.

SPU should perform more frequent, risk-based reviews

SPU's reviews of commercial customer billing are not sufficient to address multiple risk areas. During our audit and in conversations with SPU, we identified several risk areas that would benefit from additional and intentional oversight from SPU. These risk areas include charges for extra garbage, new billing rates, the reliability of contractor data, and when a contractor makes a process change.

<u>Charges for extra garbage</u>: Commercial customers are charged extra for solid waste that does not fit within their garbage receptacle. Both contractors have review processes if a customer challenges an extra garbage charge, and SPU will occasionally

get involved to help resolve a billing dispute. SPU stated they do not review commercial customer bills for appropriateness of extra charges or review data or reports from the contractors on extra charges. Though the responsibility of reviewing the accuracy of extra charges is primarily on the customer, periodic review of extra charges data could help SPU monitor contractor performance and further ensure contractors have consistent extra garbage processes.

<u>New billing rates</u>: Commercial solid waste billing rates are determined in Seattle Municipal Code and are set to increase annually in April. During our testing, we found a minor discrepancy in one of Recology's billing rates; SPU also found similar issues during their commercial annual reviews. SPU's commercial annual review does not catch rate change errors until several months have passed, which can lead to prolonged under- and overbilling of commercial customers.

<u>Data reliability</u>: During our review, we discovered data omissions and errors when comparing customer invoices to the monthly files that Recology sends the City for accounts receivable reconciliation. The contractor acknowledged that the files are incorrectly labeled and contain missing data, resulting in inaccurate current and past-due customer balances and missing interest charges on past-due balances. Our audit data reliability assessment concluded Recology's reports were not sufficiently reliable. SPU relies on contractor data to perform reviews of customer billing, and unreliable data limits SPU's ability to provide effective oversight.

<u>Contractor process changes</u>: During our audit, Recology implemented a new system that changed some of their customer billing procedures. When we asked Recology for documented policies and procedures for the new system, they stated that they are still in the process of developing new policies and procedures. They also explained that employees do a manual review of a sample of service data prior to billing. A review of contractor processes after a major change would help ensure continued contract adherence.

Recommendation 1

Seattle Public Utilities (SPU) should identify and perform additional reviews to address billing risk areas for commercial customers, such as extra garbage monitoring, rate changes, contractor data reliability, and contractor process changes. SPU should document the procedure and frequency of these reviews, ensure timely completion, and follow up with the contractors to resolve any identified issues.

Recommendation 2

Seattle Public Utilities should review Recology King County's new billing policies and procedures for adherence to contract terms.

PAST-DUE ACCOUNTS AND COLLECTIONS

Section Summary

We found that the City follows collections policies for delinquent commercial solid waste accounts. However, we noticed a discrepancy between documented contract terms and contractors' practiced timeframes for past-due accounts. We also identified a risk of customers avoiding past billing debt by opening a new account. We recommend that SPU review the past-due timeframe requirements with contractors and address the risk of debt avoidance.

SPU should clarify requirements for handling past-due accounts

Contractor timeframes for past-due accounts differ from contract requirements. The Solid Waste Collection Contracts Operations Plan states that when a customer account is 90 to 94 days past due from the date on the original invoice, the account should be closed and forwarded to SPU. The City sends past-due accounts between $50 and $10,000 to an outside collection agency and accounts over $10,000 to the City Attorney's Office for collection. The City will write off amounts below $50 and bad debt that the collection agency and the City Attorney's Office are unable to collect.

We reviewed a judgmental sample of customer invoices for compliance with contract terms related to billing timeliness, including adherence to the policy on past-due balances. We found that WM and Recology are sending past-due accounts to the City later than is required by the contract. We asked the contractors about their processes and learned that both processes differ from the contract terms and from each other.

Specifically, Recology staff told us that they wait until an account is at least 120 days past due before forwarding it to the City, which is about 30 days past the contract requirement of 90 to 94 days. WM's process is to send customers a letter at 75 days past due for active accounts and 90 days past due for cancelled accounts; these final notices allow the customer 30 days from the date of the letter to pay their account balance before the account is sent to SPU for collections. WM's timelines result in SPU receiving the delinquent accounts about 10 to 30 days past the contract requirement.

Delays in receiving delinquent accounts can impact the City's ability to be effective in their collection efforts. We reviewed studies by collection agencies that found that the longer a past-due balance remains unpaid, the less likely it is for an agency to collect the funds owed. Timely receipt of past-due accounts information could help the City increase its chance of collecting on debt. It is also important for contractors to adhere to contract requirements and to have consistent processes to ensure that commercial customers are treated fairly, regardless of which contractor services their area.

Recommendation 3

Seattle Public Utilities (SPU) should review the policies for past-due accounts with the contractors to ensure they understand the requirements and make any needed edits to the Solid Waste Collection Contracts Operations Plan. SPU should then periodically review the contractors' practices to ensure they comply.

SPU and contractors should do more to address the risk of debt avoidance

Commercial customers could avoid prior debt by opening new accounts with different names and addresses. WM and Recology's procedures for creating new customer accounts include checking for previous accounts with the same customer or business name and address only. This process creates a risk that a commercial customer with a delinquent account could close their account and open a new account with a different name and address, and go undetected by the contractors and the City.

SPU told us they are not aware of current commercial customers avoiding past debt by opening new accounts. However, SPU has a process to reduce this risk with residential solid waste customers by requiring identity verification when opening new residential customer accounts. SPU should assess the risk of commercial customers avoiding past debt and determine how to address the risk. This could involve accepting the risk and documenting why or requiring contractors to reduce the risk by requiring additional business verification for new commercial customers.

Recommendation 4

Seattle Public Utilities (SPU) should determine how to address the risk of commercial customer debt avoidance. SPU should document this risk assessment and any resulting changes in procedures or contract requirements.

BILLING AUTHORIZATION

SPU should review large billing adjustments

Contractor practices for large billing adjustments differ from contract requirements. The Solid Waste Collection Contracts Operations Plan requires contractors to request permission from SPU for commercial credit or debit adjustments over $1,000. An adjustment is a change to a customer account to correct for under- or overcharging for services. SPU allows contractors to adjust solid waste commercial customer accounts for incorrect service levels or rates and incorrect or omitted service charges, and to charge customers a penalty for violating solid waste rules. WM and Recology currently process all customer billing adjustments internally and do not get prior approval from SPU. SPU's review and approval of adjustments would help ensure that contractors are applying legitimate adjustments to customer accounts.

SPU acknowledged they have not finalized the process for contractors to perform this step. SPU stated that they are working with the contractors on drafting a process for adjustment approvals for the next operations plan that mirrors the approval process for residential solid waste customers.

Recommendation 5

Seattle Public Utilities (SPU) should finalize the procedure for how contractors should seek approval for large billing adjustments for commercial customers in the next update of the Solid Waste Collection Contracts Operations Plan. SPU should also develop an internal process for reviewing the accuracy and legitimacy of these adjustments.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objective of our audit was to determine if Seattle Public Utilities' (SPU) internal controls provide reasonable assurance of accurate, complete, and timely billing for commercial solid waste services. We also reviewed SPU's general controls over third-party cybersecurity risks, specifically related to commercial solid waste contractors. Because of the sensitive nature of our cybersecurity review, we communicated the results to SPU management in a separate memo, in accordance with generally accepted government auditing standards, sections 9.61-9.67 and the Revised Code of Washington (RCW) 42.56.420 (4).

Scope

The scope for this audit included commercial solid waste billing and controls activities in place between January 1, 2024, and May 1, 2026.

Methodology

To accomplish the audit's objectives, we performed the following:

- Interviewed employees from Seattle Public Utilities (SPU), City Finance, and the Seattle Information Technology Department
- Interviewed Waste Management of Washington (WM) and Recology King County (Recology) employees
- Reviewed the Solid Waste Collection Contract and attached Solid Waste Collection Contracts Operations Plan to determine contractor requirements related to commercial customer billing
- Reviewed the City Financial Management Policy to determine controls related to accounts receivable operations and debt management
- Reviewed SPU policies and procedures related to accounts receivable management, collections processing, and data management
- Reviewed the results of SPU's commercial annual reviews from 2022/23 and 2024/25
- Reviewed SPU's monthly commercial solid waste accounts receivable reconciliations from 2024 and 2025

- Reviewed customer complaint data submitted to SPU by the contractors for complaints related to customer billing
- Reviewed monthly billing reports submitted by the contractors to SPU to determine compliance with contract requirements
- Reviewed a judgmental sample of bad debt accounts that SPU sent to collections and the corresponding journal entries
- Reviewed information related to past cybersecurity incidents that occurred at Recology
- Reviewed Seattle Municipal Code 21.40.070 Commercial Collection Rates and Charges to determine current solid waste charges
- Reviewed policy and procedure documentation from WM and Recology to assess controls related to customer billing
- Reviewed a judgmental sample of remittances to the City from each of the contractors
- Reviewed the findings and recommendations from our prior audits, Seattle Public Utilities Residential Solid Waste Billing Controls Audit (2022) and Seattle Public Utilities Revenue Cycle Audit – Commercial Solid Waste, Internal Controls Review (2008)

We also selected a judgmental sample of customer invoices to test for compliance with contract terms and billing rates. The data source for the sample selection was an excerpt of a monthly report of invoices that SPU receives from the contractors. We designed our invoice sample selection to include invoices with different billing characteristics, such as billing amounts and accounts past due. The results of our audit test work cannot be projected to all invoices because the sample size was not statistically representative.

We assessed the reliability of the data used for this audit and concluded that the data from SPU and WM was sufficient and appropriate for our audit purposes. However, we concluded that Recology's customer billing data was not sufficiently reliable for this audit; Recology did not have documented controls and review procedures, and we also found data discrepancies in the reports that Recology sends to the City. Recommendations 1 and 2 address these issues.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX A

Department and Contractor Response

Seattle Public Utilities

Date: August 13, 2026
To: Arushi Thakorlal, Acting City Auditor
From: Jeff Fowler, Chief Operating Officer - Solid Waste
Subject: SPU's Response to the SPU Commercial Solid Waste Billing Controls Audit

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Seattle Public Utilities (SPU) would like to thank you for the opportunity to work together to review our internal controls and determine whether they provide reasonable assurance of accurate, complete, and timely billing for commercial solid waste services, including general controls over third-party cybersecurity risks. We found the process and approach taken to be open, transparent, and cordial.

The audit was a collaborative effort, as it included coordination with our contractors to schedule meetings and obtain supporting documentation, which added another layer of complexity. We also would like to express our appreciation for your former colleague Marc Stepper, who passed away last year. SPU staff had a wonderful working relationship with Marc and appreciated his insights to improve the utility.

We have performed an extensive review of the audit report and cybersecurity assessment memorandum and discussed the issues at length. SPU concurred with all recommendations, except one component of performing extra garbage monitoring. We plan to continue to rely on our commercial customers to perform this task in addition to established utility business processes for approving billing adjustments and credits.

WM Pacific Northwest/British Columbia
720 4th Avenue, Suite 400
Kirkland, WA 98033

August 21, 2026

Arushi Thakorlal
Acting City Auditor
City of Seattle
Arushi.Thakorlal@seattle.gov

****Sent via email only****

Dear Auditor Thakorlal:

Thank you for the opportunity to review the draft report of the Seattle Office of City Auditor's Commercial Solid Waste Billing Controls Audit and the associated cybersecurity assessment. WM values its longstanding partnership with Seattle Public Utilities ("SPU") and shares the City's commitment to ensuring that commercial solid waste billing is accurate, complete, timely, secure, and transparent.

We appreciate the collaborative and professional manner in which the audit was conducted. We also note that the audit found SPU's existing controls to be generally effective and concluded that data provided by WM was sufficient and appropriate for the audit's purposes. In addition, SPU's most recent Commercial Annual Review for the period June 1, 2024 through May 31, 2025 found no material inconsistencies related to customer adjustments, credits, revenue calculations, or accounting systems and recognized the diligence and professionalism of WM staff.

WM has reviewed the audit findings and offers the following response regarding areas that involve contractor participation.

Risk-Based Billing Reviews
WM supports SPU's efforts to strengthen oversight of commercial billing processes through additional risk-based reviews. WM currently maintains internal controls designed to verify billing accuracy, implement annual rate changes, validate customer account information, and monitor process performance. We are committed to supporting SPU's future review activities and will continue to provide requested documentation and system information in a timely manner.

Past-Due Account Procedures
WM's objective has always been to maximize customer compliance and voluntary payment while minimizing bad debt and collection activity. WM will continue to work collaboratively with SPU to review existing procedures, clarify expectations, and implement any mutually agreed modifications to the Operations Plan or operating procedures.

Commercial Customer Debt Avoidance
WM supports SPU's planned assessment of risks associated with commercial customers attempting to avoid outstanding debt obligations through account changes. WM currently performs customer account screening procedures when establishing new accounts and will

participate in discussions regarding additional business verification measures should SPU determine that further controls are warranted.

Billing Adjustment Approval Process
WM has reviewed the proposed commercial billing adjustment process and approval thresholds and is prepared to implement those requirements once finalized by SPU. The proposed process provides clear approval authorities, documentation requirements, and reporting expectations that will promote consistency and transparency for both organizations.

Cybersecurity
WM fully supports SPU's efforts to strengthen cybersecurity controls associated with commercial solid waste operations.

Conclusion
WM values its partnership with Seattle Public Utilities and appreciates the constructive nature of the audit process. We view the recommendations as opportunities to further strengthen administrative controls, documentation, and coordination between SPU and its contractors. We remain committed to accurate billing, transparent business practices, responsible stewardship of public funds, and continuous improvement. WM looks forward to working with SPU as they implement the audit recommendations and finalize forthcoming Operations Plan updates.

Sincerely,

Tami Yager

Tami Yager, Area Director
Public Sector Solutions - Pacific Northwest/BC

Cc: Michael Turner, City of Seattle, Senior Auditor
Sally Hulsman, City of Seattle, Solid Waste Contracts Manager
Evan Burmester, WM Area Finance Director and Business Partner
Tammy Lane, WM Contract Compliance and Billing Liaison Manager
Joe Camero, WM Public Sector Solutions Manager

APPENDIX B

List of Recommendations and Department Response

Recommendation 1: Seattle Public Utilities (SPU) should identify and perform additional reviews to address billing risk areas for commercial customers, such as extra garbage monitoring, rate changes, contractor data reliability, and contractor process changes. SPU should document the procedure and frequency of these reviews, ensure timely completion, and follow up with the contractors to resolve any identified issues.

SPU Concurrence: SPU partially agrees with the recommendation.

Estimated Date of Completion (Qtr./Yr.): Quarter 1, 2027

SPU Response: Extra garbage monitoring: SPU does not review commercial customer bills for the appropriateness of extra charges or review contractor data or reports for extra charges because the cost of performing these review activities exceeds the benefits derived. SPU does not have the personnel capacity to review photos to verify and monitor extra garbage charges. SPU relies on commercial customers to review the appropriateness of extra charges charged by the contractors and inform the utility of discrepancies by requesting a credit adjustment to their bill. SPU's Solid Waste Code & Contracts Compliance business process for commercial solid waste adjustment describes the administrative process and requirements for reviewing and approving commercial customers' requests for billing adjustments and credits for commercial solid waste service bills in accordance with SPU Director's Rule FIN-160, Customer Account and Billing Management. SPU does **not** agree with this component of the recommendation.

New billing rates: SPU's SW Invoice Review workgroup performs an SVC rate check for Multi-family (MF) and commercial customer accounts every month to identify rates not billed accurately. The Accounting division conducts annual commercial reviews over a sample of commercial customer accounts, and rate change errors identified have been minor and corrected on a timely basis by the contractors once identified. SPU agrees with this component of the recommendation.

Data reliability: SPU is commencing a full audit of Recology's billing system "Platform" with assistance from Recology Finance and Billing system teams due to errors identified in SVC and TRF data introduced after the Platform upgrade. The audit will address and identify improvements to contractor data reliability. SPU agrees with this component of the recommendation.

Contractor process changes: Recology implemented a new system and updated their customer billing procedures, which their Legal and Compliance department is reviewing.

Additionally SPU plans to review Recology's implementation upgrade and process changes to ensure system upgrade implementation plans are thorough and are adhered to throughout the upgrade. SPU agrees with this component of the recommendation.

Recommendation 2: Seattle Public Utilities should review Recology King County's new billing policies and procedures for adherence to contract terms.

SPU Concurrence: SPU agrees with the recommendation.

Estimated Date of Completion (Qtr./Yr.): Quarter 1, 2027

SPU Response: The Solid Waste LOB workgroup will review Recology's new billing policies and procedures for adherence to the executed Solid Waste Collection contract terms and Operations Plan once they furnish the approved versions to SPU.

Recommendation 3: Seattle Public Utilities (SPU) should review the policies for past-due accounts with the contractors to ensure they understand the requirements and make any needed edits to the Solid Waste Collection Contracts Operations Plan. SPU should then periodically review the contractors' practices to ensure they comply.

SPU Concurrence: SPU agrees with the recommendation.

Estimated Date of Completion (Qtr./Yr.): Quarter 1, 2027

SPU Response: The Accounts Receivable workgroup will perform monthly analysis using commercial solid waste contractor data to calculate the number of days contractors report past-due accounts to SPU compared to the terms stated in the executed Solid Waste Collection contract (Section 1360, Bad Debts) and Operations Plan (Section 12.1 Bad Debt).

The Accounts Receivable workgroup will provide the completed analysis to the Solid Waste LOB workgroup, and they will review policies for past-due accounts with contractors to ensure the contractors understand requirements and make appropriate changes to the Operations Plan.

The Solid Waste LOB will periodically review contractors' practices to ensure compliance.

Recommendation 4: Seattle Public Utilities (SPU) should determine how to address the risk of commercial customer debt avoidance. SPU should document this risk assessment and any resulting changes in procedures or contract requirements.

SPU Concurrence: SPU agrees with the recommendation.

Estimated Date of Completion (Qtr./Yr.): Quarter 1, 2027

SPU Response: The RQA division and the Solid Waste LOB workgroup will perform a risk assessment focused on the risk of commercial customers avoiding past debt. If the risk assessment results in changes to SPU procedures or the Operations Plan, the workgroups will document them.

Recommendation 5: Seattle Public Utilities (SPU) should finalize the procedure for how contractors should seek approval for large billing adjustments for commercial customers in the next update of the Solid Waste Collection Contracts Operations Plan. SPU should also develop an internal process for reviewing the accuracy and legitimacy of these adjustments.

SPU Concurrence: SPU agrees with the recommendation.

Estimated Date of Completion (Qtr./Yr.): Quarter 1, 2027

SPU Response: The Solid Waste Code & Contracts Compliance business process for commercial solid waste adjustment review and approval describes how contractors should seek SPU approval for large billing adjustments greater than $1,000 for commercial customers. The Solid Waste LOB workgroup will include the process in the updated Operations Plan (Section 12.2 Billing Adjustment).

The Solid Waste LOB workgroup developed the Solid Waste Code & Contracts Compliance Residential Billing Adjustment approval SOP, which is the utility internal process for reviewing Residential accuracy and legitimacy of billing adjustments.

APPENDIX C

Seattle Office of City Auditor Mission, Background, and Quality Assurance

Our Mission:
We conduct independent analyses of City programs and services with an equity and social justice perspective, making recommendations on ways the City can better serve the people of Seattle.

Background:
Seattle voters established our office by a 1991 amendment to the City Charter. The office is an independent department within the legislative branch of City government. The City Auditor reports to the City Council and has a four-year term to ensure their independence in deciding what work the office should perform and reporting the results of this work. The Office of City Auditor conducts performance audits and non-audit projects covering City of Seattle programs, departments, grants, and contracts. The City Auditor's goal is to ensure that the City of Seattle is run as effectively, efficiently, and equitably as possible in compliance with applicable laws and regulations.

How We Ensure Quality:
The office's work is performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. These standards provide guidelines for audit planning, fieldwork, quality control systems, staff training, and reporting of results. In addition, the standards require that external auditors periodically review our office's policies, procedures, and activities to ensure that we adhere to these professional standards.

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