

King County Auditor's Office

Kymer Waltmunson, King County Auditor



King County

DATE: September 14, 2015

TO: Metropolitan King County Councilmembers

FROM: Kymer Waltmunson, King County Auditor

SUBJECT: Follow-up on the Final Oversight Report on Ninth and Jefferson Building Project

The County Executive has implemented the recommendation pertaining to the county's lease approval process from our 2011 final oversight report on the Ninth and Jefferson Building Project (NJB). Based on one of the lessons learned we identified in the project, we recommended that the County Executive streamline the lease approval process in order to be more competitive in the marketplace without unduly sacrificing risk control. Our review of the County Executive's current lease approval process indicates improvements to streamline the lease review and approval process and the County Council has approved changes to county code to allow for a longer lease period. This improves the County's ability to attract competitive tenants.

In addition, we recommended that the County Executive review policies, procedures, and standard contract language for the General Contractor/Contract Manager (GC/CM) project delivery method, which was used for NJB. We have closed this recommendation because the County has not used GC/CM since NJB and that recent changes to state law regarding the GC/CM method have significantly limited the cost risks associated with this method. However, if the County chooses to use the GC/CM method for any future capital project, we may perform ongoing oversight and make additional recommendations as needed.

We reviewed two audit recommendations for this follow-up. Details on their status of implementation are below. The County Executive has also implemented another recommendation related to leasing. Please see our Data Center Relocation Project follow-up letter for more information.

DONE	1	Recommendation has been fully implemented Auditor will no longer monitor
PROGRESS	0	Recommendations in progress or partially implemented Auditor will continue to monitor
OPEN	0	Recommendations remain unresolved Auditor will continue to monitor
CLOSED	1	Recommendation is no longer applicable Auditor will no longer monitor

Implementation Status as of September 2015

#	Quick Status	Recommendation	Status Detail
1	CLOSED	<p>The County Executive should review existing policies, procedures, and standard contract language for GC/CM projects and revise them as needed to guard against cost risks like those experienced during the initial project.</p>	<p>According to the Finance and Business Operations Division, the County has not used the general contractor/construction manager (GC/CM) project delivery method since the NJB. The County does not have standard boilerplate language for this procurement method because it has been rarely used.</p> <p>Since the time of this recommendation there have been important revisions of GC/CM provisions outlined in Washington state law. The revisions provide that the GC/CM is responsible for any additional cost above the maximum allowable construction cost (see 39.10.350), and that the maximum allowable construction cost cannot be negotiated until designs are at least 90% complete (see 39.10.370).</p> <p>We are closing this recommendation, because the recent changes to state law significantly limit the cost risks associated with the GC/CM project delivery method. However, if the County chooses to use the GC/CM method for any future capital project, we may perform ongoing oversight and make additional recommendations as needed.</p>
2	DONE	<p>The Facilities Management Division (FMD) should work with the Prosecuting Attorney's Office and the council to streamline the lease approval process to ensure competitiveness in the marketplace without unduly</p>	<p>Facilities Management Division (FMD) has worked with the Prosecuting Attorney's Office (PAO) and the County Council to streamline the county's lease approval process. As part of this effort, FMD created standard legislation</p>

#	Quick Status	Recommendation	Status Detail
		sacrificing risk control.	templates for lease agreements and amendments and established a clear process for triaging and evaluating leasing requests. According to FMD, this effort resulted in more standardization, better time management, and more timely oversight of the transmittal of legislative packages. In addition, the County Council has approved changes to county code to allow for a longer lease period. These improvements have increased the county's ability to attract competitive tenant proposals, as demonstrated by the recently approved U.S. Bank lease in the Ninth and Jefferson Building Project (NJB).

Chelsea Lei, Management Auditor, Tina Rogers, Capital Projects Oversight Manager, conducted this review. Please contact Chelsea at 477-6523, or Tina at 477-1036 if you have any questions about the issues discussed in this letter.

- cc: Dow Constantine, King County Executive
 Fred Jarrett, Deputy County Executive
 Rhonda Berry, Assistant Deputy County Executive
 Dwight Dively, Director, Office of Performance, Strategy and Budget
 Caroline Whalen, Director, Department of Executive Services (DES)
 Ken Guy, Director, DES, Finance & Business Operations Division (FBOD)
 Eunjoo Greenhouse, Interim Deputy Director, DES, FBOD
 Anthony Wright, Director, DES, Facilities Management Division
 Anne Noris, Clerk of the Council
 Shelley Harrison, Administrative Staff Assistant, King County Executive Office