



# KING COUNTY AUDITOR'S OFFICE

DECEMBER 8, 2021

## Voluntary Separation Program Mostly In-Line with Leading Practices, but Changes Could Assist Decision-Making

**We found that King County's voluntary separation program (VSP) largely aligns with leading practices identified in our [June 2020 report](#), making it easier for the County to achieve cost savings during a financial crisis. However, a few changes could help the County more effectively weigh potential costs and benefits when making VSP decisions in the future.** We published a report in June 2020 that shared leading practices for voluntary separation programs in government for achieving costs savings. To manage personnel costs while reducing the need for layoffs, voluntary separation programs offer eligible employees a financial incentive to voluntarily leave or retire from employment. The Department of Human Resources (DHR) facilitates King County's VSP and individual agencies can apply to administer it. King County implemented most leading practices we identified, in the year following our report (see exhibit A). For example, King County Code<sup>1</sup> outlines the VSP's savings target and program purpose. In addition, DHR has considered changes to benefits provided through the program to incentivize participation in the future based on input from agencies.

EXHIBIT A: King County's implementation of VSP leading practices following our June 2020 report.

Leading practices	Implemented at King County
Develop savings target	YES
Establish program purpose	YES
Establish clear eligibility criteria	YES
Identify optimal severance pay	YES
Consider other incentive benefits	YES
Consider paying benefits over time instead of a lump sum	YES
Consider legal parameters, such as collective bargaining	YES
Develop consistent methodology to estimate cost savings	PARTIAL
Ensure projected costs and benefits are complete and thorough	PARTIAL
Communicate the program to employees clearly and consistently	YES

<sup>1</sup> King County Code 3.12S.

**The VSP's methodology for estimating cost savings from a voluntary separation does not consider the uncertainty in achieving those savings. This makes it difficult for decision-makers to be prepared for situations when savings may fall short of what was planned.** The agencies and DHR decide to approve or deny their employees' applications based on the estimated savings in a VSP Savings Calculator spreadsheet. The spreadsheet is consistent across agencies, but it only provides a point estimate, rather than a potential range of savings. The actual savings from a voluntary separation may vary due to difficulty backfilling vacated positions at expected pay levels. Leading practices recommend including a sensitivity analysis, or a range of savings estimates, rather than a point estimate to incorporate the uncertainty around savings projections. For example, agencies could include a range of estimates for filling vacant positions at different step levels. Including this uncertainty in cost projections can help decision-makers have a clear sense of lower-end and higher-end savings from the program to make budget decisions accordingly.

### Recommendation 1

**The Department of Human Resources should develop, document, and communicate a process to ensure that agencies assess a range of potential savings to account for the uncertainty in cost estimates and use this information when making approval determinations for the voluntary separation program.**

**VSP approval decisions do not formally consider indirect impacts, meaning costs to implement the program might be higher than anticipated.** Agencies could achieve savings from the VSP by eliminating position vacancies or filling position vacancies at a lower pay range or step. Possible impacts include additional recruitment or training costs if an agency chooses to backfill the position. Alternately, if the agency chooses to eliminate the position, there may be consequences for service delivery, workload for other employees, or loss of institutional knowledge. Although DHR explained that agencies may be considering these factors, they are not explicitly addressed in the program application. Prompting agencies to consider both direct and indirect impacts of the separation would help them make informed decisions for their circumstances.

### Recommendation 2

**The Department of Human Resources should develop, document, and communicate a process to ensure that agencies consider the potential impact of staff turnover, or a reduced workforce, and use this information when making approval determinations for the voluntary separation program.**

## Conclusion

The COVID-19 pandemic has highlighted how tools like King County's VSP can provide flexibility for agencies in the face of budget challenges. Effectively using tools such as the VSP can help address personnel costs during a budget crisis without resorting to non-voluntary options such as layoffs. Making decisions to improve the VSP now can help make sure it is set up to best support agencies' requirements the next time it is needed.

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Mia Neidhardt and Anu Sidhu conducted this review, which was part of our larger [audit of King County's pandemic response](#). Please contact Kymber Waltmunson at 206-477-1043 if you have any questions about the issues discussed in this letter.

# Executive Response



**King County**

**Department of  
Human Resources**

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December 2, 2021

KyMBER Waltmunson  
Auditor  
King County Auditor's Office  
516 Third Avenue Room W-1033  
Seattle, Washington 98104

Dear Ms. Waltmunson,

Thank you for the opportunity to comment on the Proposed Final Audit of the Voluntary Separation Program (VSP). The Department of Human Resources (DHR) and Performance, Strategy and Budget (PSB) staff reviewed your audit and concur with the findings.

**Recommendation 1**

**The Department of Human Resources should develop, document, and communicate a process to ensure that agencies assess a range of potential savings to account for the uncertainty in cost estimates and use this information when making approval determinations for the voluntary separation program**

We concur with this recommendation. DHR will work with PSB to enhance the tools departments use when making a decision about a voluntary separation application. The next potential cycle for VSP will be in the 2023/2024 biennial budget and we will have those tools available by June 1, 2022.

**Recommendation 2**

**The Department of Human Resources should develop, document, and communicate a process to ensure that agencies consider the potential impact of staff turnover, or a reduced workforce, and use this information when making approval determinations for the voluntary separation program.**

We concur with this recommendation. DHR will continue to work with agencies as they analyze their workforce. Since this is a voluntary program and it is up to the employee to apply, departments have denied applications where there is not a business need to cut positions. We will have additional tools available by June 1, 2022.

Thank you for the opportunity to provide input.

Sincerely,

Jay Osborne  
Director

## Recommendation 1

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Agency Response	
Concurrence	<b>CONCUR</b>
Implementation date	June 1, 2022
Responsible agency	Department of Human Resources
Comment	DHR will partner with PSB to explore additional options for calculations used by departments.

## Recommendation 2

The Department of Human Resources should develop, document, and communicate a process to ensure that agencies consider the potential impact of staff turnover, or a reduced workforce, and use this information when making approval determinations for the voluntary separation program.

Agency Response	
Concurrence	<b>CONCUR</b>
Implementation date	June 1, 2022
Responsible agency	DHR
Comment	DHR will add documentation for business planning purposes to the VSP process.

# Statement of Compliance, Scope, Objectives & Methodology

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## Statement of compliance with government auditing standards

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.

## Scope of work on internal controls

We assessed internal controls relevant to the audit objectives. We assessed the adequacy of controls to ensure program effectiveness identified in our June 2020 report, including controls related to program design, procedures, and decision-making.

## Scope

This audit reviewed King County's voluntary separation program against the leading practices outlined in our June 2020 published report.

## Objectives

To what extent did the County implement best practices from our interim report in its 2020 volunteer separation program?

## Methodology

For this audit, we reviewed documentation related to the King County voluntary separation program to assess against best practices outlined in our June 2020 published report. We also interviewed staff from the Department of Human Resources and the Office of Performance, Strategy and Budget.

## List of Recommendations

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### Recommendation 1

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# Advancing Performance & Accountability

KYMBER WALTMUNSON, KING COUNTY AUDITOR

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This audit product conforms to the GAGAS for independence, objectivity, and quality.