



## Landfill Contract Audit - #812 Executive Summary

### ***Why CAO Did This Review***

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of certain contractual obligations of both the City and the Contractor related to the Trail Ridge Landfill. The City pays the Contractor in accordance with the agreement managed by the City's Solid Waste Division. In total, the City paid the Contractor over \$25 million for the 18 month period of October 2015 through March 2017 for landfill operations related to the audited contract and other landfill-related contracts that were outside of our audit scope.

### ***What CAO Recommends***

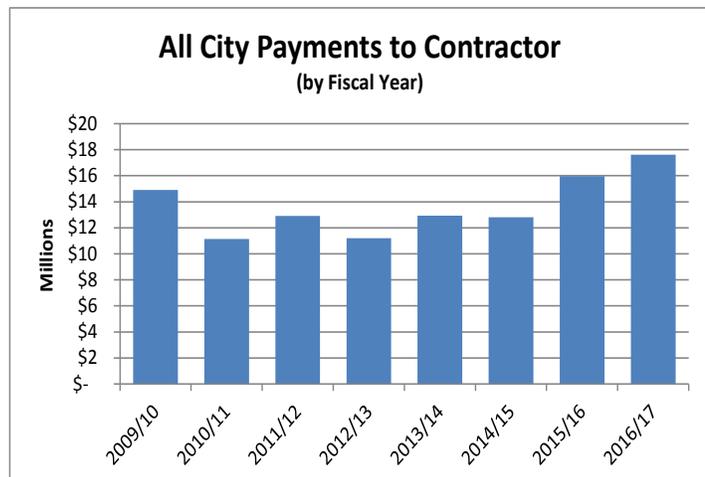
We recommend the Solid Waste Division:

- Review its procedures and establish internal controls to ensure that monthly tonnage payments are reviewed by a supervisor, are made timely, and are accurate.
- Bill \$9,331.36 to the hauler that was not billed due to a computer system issue.
- Review the access rights to the computer system used for landfill activity.
- Ensure compliance with the insurance requirements of the contract.

### ***What CAO Found***

Overall, it appears that payments to the Contractor were consistent with the contract, properly supported, accurately calculated, and properly authorized; however, we did find significant issues with timeliness. Issues we found include:

- Monthly tonnage payments averaging over \$700K were not reviewed by a supervisor.
- Payments to the Contractor were not always processed in a timely manner.
- All 18 of 18 monthly tonnage payments were inaccurate and resulted in a net underpayment to the Contractor of \$33,557 due to incorrect rates being applied during payment calculations and due to erroneously excluding certain material categories.
- One of the hauling companies was not billed by the Solid Waste Division, and the unbilled balance amounted to \$9,331.36.
- There were issues with the access rights to the computer system used by the Solid Waste Division for landfill activity.
- Insurance documentation was not provided to and therefore was not approved by the Risk Management Division.





**Council Auditor's Office**

**Landfill Contract Audit**

**March 2, 2018**

**Report #812**

**Released on : June 20, 2018**

**EXECUTIVE SUMMARY**

**AUDIT REPORT #812**

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**OFFICE OF THE COUNCIL AUDITOR**  
Suite 200, St. James Building



March 2, 2018

Report #812

Honorable Members of the City Council  
City of Jacksonville

**INTRODUCTION**

Pursuant to Section 5.10 of the Charter of the City of Jacksonville (“City”) and Chapter 102 of the Municipal Code, we conducted an audit of certain contractual obligations of both the City and the landfill operator (“Contractor”) related to the Trail Ridge Landfill (“Landfill”). The Landfill, permitted by the Florida Department of Environmental Protection, is the only active Class I landfill in Duval County. The total land area is approximately 978 acres, of which approximately 427 acres are currently permitted for disposal. The Landfill is the primary delivery point of residential and nonresidential waste in the county, as directed by agreements with waste haulers. The Contractor is required to accept up to 4,000 tons of waste per day and is required to operate six (6) days a week.

The City pays the Contractor in accordance with the Landfill Operating Agreement (“Agreement”) which is managed by the City’s Solid Waste Division. In total, the City paid the Contractor over \$25 million for the 18 month period of October 1, 2015 through March 31, 2017. Approximately half of this was for various “non-tonnage” activities such as 10% management fees for closure and additional construction projects, non-routine gas system and facility maintenance, borrow pit charges, as well as for other agreements between the City and the Contractor related to wood and yard waste and routine gas system maintenance at the Landfill. The other half of the payments were “tonnage” related and were based on the monthly amount of tons of waste accepted at the Landfill, and was calculated in the manner described below.

Waste is delivered to the Landfill by haulers, and different fees are charged based on the weight, count, and type as identified in Section 380.303 of the City’s Municipal Code. The waste is weighed, counted and charged at the scale house operated by the City, and a portion of the fees charged at the scale house are passed on to the Contractor. For example, a fee of \$29.50 is currently charged per ton of non-special waste delivered, which represents the majority share of the waste delivered to the Landfill. A portion of this fee (or \$7.16) is a resource charge (host fee) that is kept by the City. The other portion (or \$22.34) is an operating charge that is split between the City and the Contractor in a manner described in the contract. In 2010, when the contract was signed, the City agreed to keep \$11.76 and pay \$10.58 to the Contractor. However, the Agreement allows for an annual inflation adjustment for the Contractor’s portion of the operating charge. Because the City has not increased fees since the time when the contract was signed, the split of \$11.76 to the City / \$10.58 to the Contractor has changed to a split of \$11.05 to the City / \$11.29 to the Contractor as of July 2016. This represents approximately a 6% decrease in City revenues and a 7% increase in the Contractor’s revenues. Similar changes

occurred for all other material types accepted at the Landfill. Along with non-special waste, the Landfill is permitted to accept special waste (asbestos, ash, tires, large appliances, lead acid batteries, etc.) for which different fees are charged and which is disposed of in accordance with applicable rules and regulations.

### **STATEMENT OF OBJECTIVE**

To determine if payments to the Contractor that operates Trail Ridge Landfill for the City were consistent with the contract, properly supported, accurately calculated, properly authorized, and timely paid.

### **STATEMENT OF SCOPE AND METHODOLOGY**

Our audit covered the period of 18 months from October 1, 2015 through March 31, 2017. The focus of this audit was the Agreement that was signed by the City and the Contractor in 2010. We conducted interviews with City and Contractor staff and observed the operations at the Landfill and the scale house. We reviewed agreements, data, reports, and invoices related to the Landfill operations. We obtained a listing of payments to the Contractor from the City's accounting system for the entire audit period and separated them into two groups: 1) monthly payments for operations based on tonnage or count for different types of waste (known as "tonnage" payments) and 2) all other payments (known as "non-tonnage" payments).

For tonnage payments, we tested 100% of the population which amounted to \$13,331,870.40. We first determined the rates for each type of waste based on the rates in the Agreement, adjusted for inflation. Next, we pulled 191,595 unique transactions directly from the computer system used to track and bill for the waste accepted at the Landfill. We used this data to identify the tonnage/count of waste types accepted at the Landfill for each of the 18 months tested. We then recalculated the amounts due to the Contractor (tonnage/count multiplied by contractual rates) and compared our calculation to the actual payments made. We also tested if these tonnage payments were paid timely, were properly authorized, and were properly supported.

For non-tonnage payments, we started with a population of 136 non-tonnage payments to the Contractor totaling almost \$12 million. Next, we judgmentally chose to test all payments within 3 of the 18 months within our audit scope based on activity. The sample for testing was 26 payments totaling \$1.8 million. We tested to determine if those payments were properly supported, authorized, allowed by the contract, accurate, and paid timely.

We also performed additional analytical testing for both groups by searching and investigating unusual items in the data and support provided.

### **REPORT FORMAT**

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process

implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

### **SUGGESTED ADDITIONAL AUDIT WORK**

In limiting the scope of this audit, we did not pursue the following areas, and as such they should be considered for future audit work:

1. Billing and collection of solid waste fees charged as a non-ad valorem assessment.
2. Other agreements between the City and the Contractor (e.g. wood and yard waste).

### **STATEMENT OF 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 conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

### **AUDITEE RESPONSES**

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Public Works Department, via John P. Pappas, P.E., Public Works Director, in a memorandum dated June 14, 2018.

### **AUDIT CONCLUSION**

Overall, it appears as though payments to the Contractor were consistent with the contract, properly supported, accurately calculated, and properly authorized; however, we did find significant issues with timeliness.

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## **AUDIT OBJECTIVE**

To determine if payments to the Contractor that operates Trail Ridge Landfill for the City were consistent with the contract, properly supported, accurately calculated, properly authorized, and timely paid.

### **Internal Control Weakness 1 \*Issues with Access Rights to Computer System\***

We have identified several issues with access to the computer system that is used to weigh, track and bill for the waste accepted at the Landfill. The issues identified were mostly related to inappropriate access rights and password settings for some employees:

1. 14 (or 34%) of the 41 accounts were not disabled timely:
  - a. 9 accounts were for users who were no longer employed by the City or applicable outside company;
  - b. 4 accounts were for users who were employed by the City or applicable outside company, but who no longer needed access to the computer system in order to perform their job functions;
  - c. 1 account was a generic account identified as “Administrator”;
2. Of the remaining 27 active users:
  - a. 12 (or 44%) had an inappropriate level of access rights (for example, many could void transactions, or there was an issue with proper separation of duties);
  - b. 20 (or 74%) were not required to periodically update their passwords.

Best business practices suggest that employees should only be granted the access rights needed to perform their job functions, generic accounts should not be utilized, and passwords should be periodically changed to reduce the potential for unauthorized access.

### **Recommendation to Internal Control Weakness 1**

We recommend that the Solid Waste Division review access rights to the computer system and take the following actions:

1. eliminate access for terminated users or users who no longer need access;
2. eliminate generic user accounts that don't clearly identify the specific user;
3. modify user access rights so no user has inappropriate levels of access;
4. implement a periodic password update policy;
5. establish a written procedure for a periodic system access review which should be documented and conducted at least on an annual basis.

### **Auditee Response to Internal Control Weakness 1**

Agree           Disagree           Partially Agree

*Solid Waste Division (SWD) agrees with the Recommendation to Internal Control Weakness #1. SWD eliminated access for users who no longer require access. SWD will work with ITD to eliminate the generic user account(s) and add a SWD name specific user account with administrator rights and a separate ITD name specific user account with administrator rights.*

*SWD reviewed all current users to ensure they have the appropriate levels of access. Additionally, a new procedure for the annual review of Compuweigh access along with a password update policy will be created and implemented by August 1, 2018.*

**Internal Control Weakness 2 \*Lack of Review and Issues with Tonnage Payment Template\***

Monthly tonnage payments prepared by a staff accountant within the Solid Waste Division were not reviewed (by a supervisor or manager) for accuracy, and the template used to calculate the total amount owed needs to be improved.

At the time of our audit, the monthly tonnage payment process started with the accountant running a report in the computer system to determine tonnage for each waste category. Then the weight/count data for each waste category from this report was manually entered into a spreadsheet template that required the accountant to perform several computations in order to compute the monthly tonnage payment to the Contractor. An average monthly payment was over \$700,000, with more than half of this amount being calculated in one line where the “weight in pounds” cell was a sum of eight (8) hard-coded numbers representing weight data for different types of waste, and the “dollar amount” cell was a formula where “weight in pounds” was multiplied by the “rate per pound”. Therefore, a typing error in the “weight in pounds” cell could lead to an error which may not be caught, since no supervisory review took place. We noted instances of these uncaught errors in Finding 1 below.

**Recommendation to Internal Control Weakness 2**

We recommend that the Solid Waste Division:

1. implement a review process focused on the accuracy of the monthly tonnage payment amount where a second employee would review and sign off on the payment calculation;
2. improve the monthly tonnage form to allow the accountant to copy and paste data directly from the computer system reports with minimal manual involvement.

**Auditee Response to Internal Control Weakness 2**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Internal Control Weakness #2. SWD has created a new process that includes review and approval of the monthly tonnage payment by the Environmental Engineering Manager. This process began January 2018 with the review of the December 2017 monthly tonnage payment. Also, the monthly tonnage form has been revised to pull tonnage figures from Compuweigh Reports automatically into the monthly tonnage payment form. SWD began using the revised monthly tonnage form for the January 2018 monthly tonnage payment.*

**Finding 1 \*Issues with Tonnage Payments\***

All 18 of 18 (or 100%) tonnage payments tested had net inaccuracies, ranging from \$23 to \$26,639, which resulted in a net underpayment to the Contractor of \$33,557 (or less than one quarter of one percent of the over \$13 million tested) of which:

1. a net underpayment of \$2,449 was due to incorrect rates being applied during payment calculations. These incorrect rates were caused by various factors such as:
  - a. inaccurate annual inflation adjustments due to issues with rounding;
  - b. a partial rate application when a disposal fee was erroneously omitted for bulk tires;
  - c. an annual inflation rate adjustment incorrectly occurred in January of 2016 instead of July 2016;
  - d. data for one material category was erroneously included in data for another material category;
2. an underpayment of \$31,171 was due to erroneously excluding certain locations and material categories when calculating monthly payments owed. In particular, some transactions were recorded under the wrong site within the computer system (e.g. "Office" instead of under "Landfill"), and some atypical material categories (e.g. buyback tires and signs) were erroneously excluded from payment calculations;
3. and an overpayment of \$63 was due to an apparent transposition of digits.

**Recommendation to Finding 1**

We recommend that the Division implement the recommendations from Internal Control Weakness 2 which should prevent these issues from recurring.

**Auditee Response to Finding 1**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Finding #1. As previously stated, the SWD Environmental Engineering Manager reviews and approves the monthly tonnage payments and the monthly tonnage form was revised to automatically pull tonnage figures from Compuweigh.*

**Finding 2 \*Payments with Timeliness Issues\***

In reviewing the different types of payments being made to the Contractor, we noted that some of the payments were not timely. Payment timeliness is based on Florida Statutes and, when applicable, Section 5.5 of the Agreement. The untimely payments were as follows:

1. 17 of the 88 (or 19%) non-tonnage invoices tested were not processed in a timely manner. Florida Statute 218.734 requires payments be made within 45 days (or 25 business days if related to construction services pursuant to Florida Statute 218.735). These invoices were paid, on average, over twelve (12) days late. In reviewing the late payments, we found the delay to be primarily due to Solid Waste.

2. 7 of the 18 (or 39%) tonnage payments were not timely. Section 5.5 of the Agreement dictates that monthly tonnage payments will be made within seven days following the close (month end) of the period. These 7 payments were on average over nine days late, while 1 of them was over 30 days late.
3. We also noted that, 4 of the 88 (or 5%) non-tonnage invoices were not stamped with the date received by the Solid Waste Division which is essential in supporting timeliness since there are strict requirements on the timeliness of payments that the City has to follow, as noted above. It should be noted that based on the invoice date all four of these invoices were paid on time, so they are not written up as being untimely.

**Recommendation to Finding 2**

We recommend that all City payments to the Contractor be made in a timely manner, as directed in the Florida Statutes and Section 5.5 of the Agreement. If a delay is due to waiting on requested support/information from the Contractor, the delay should be notated on the invoice which should also indicate when the information was requested and received.

**Auditee Response to Finding 2**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Finding #2. Going forward, the reason for payment delays will be documented on the invoice, along with all relevant dates.*

**Finding 3 \*Failure to Adhere to Insurance Documentation Requirements \***

Section 6.2 of the Agreement states that “certificates evidencing the maintenance of said insurance shall be furnished to the City and shall be subject to the approval of the City’s Office of Insurance and Risk Management”. However, neither the City nor the Contractor could provide proof that insurance certificates were approved by the Risk Management Division in 2010 when the current Agreement was put in place. The Risk Management Division had no certificate of insurance related to the current Agreement on file when we inquired about it during our audit. Additionally, the Risk Management Division reviewed the insurance requirements language of the agreement and concluded that it was outdated and was not in line with today’s environment.

**Recommendation to Finding 3**

We recommend the Solid Waste Division ensure that the Contractor complies with Section 6.2 of the Agreement. In particular, a copy of the current insurance certificate should be forwarded to the Risk Management Division for review. In addition, the Solid Waste Division should develop and implement a documented process of requesting and maintaining all required insurance documents and providing a copy of any insurance documents received to the Risk Management Division.

**Auditee Response to Finding 3**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Finding #3. A copy of the contractor's current insurance certificate has been forwarded to Risk Management Division for review and approval. SWD will work with Risk Management to develop a process for forwarding Certificate of Insurance (COI) renewal documentation. The new process will be created, documented in a formal procedure and implemented by August 1, 2018.*

**Finding 4 \*Discrepancies in Waste Tire Count\***

The Solid Waste Division was not recording, in the computer system, all of the tires removed by the Contractor from the “working face” (defined as the area of the Landfill where waste is being actively dumped). Tires are not allowed to be disposed in the working face, but on occasion are improperly deposited by haulers. Only 22,172 tires were recorded in the City’s computer system while the Contractor reported 28,196 tires for the 12 month period (July 1, 2015 through June 30, 2016). The Contractor’s number is much closer to the critical breaking point of about 32,000 tires per year (annually adjusted from 30,000 for 2010 per Section 5.1 of the Agreement). When this point is reached, the City has to compensate the Contractor for each additional tire removed. It appears that the discrepancy is due to the fact that some tires removed from the working face cannot be directly associated with a specific hauler, so they are not being recorded in the City’s computer system. Discrepancies in the tire count could cause issues related to the timing and/or amount of compensation due to the Contractor, once the annual allotment is reached.

**Recommendation to Finding 4**

We recommend that the City create and implement a process to record and track any and all tires removed from the working face.

**Auditee Response to Finding 4**

Agree                       Disagree                       Partially Agree

*SWD partially agrees with the Recommendation to Finding #4. In order to fully comply with this recommendation, SWD could be required to provide additional manpower to observe the unloading of waste during all times of operation to document tires removed from the working face and to reconcile tire counts between the city's count and TRLFI's count at the end of each day's operation. SWD will research best practices used at other solid waste management facilities to determine alternatives.*

**Finding 5 \*Lack of Signed and Sealed Annual Topography Survey and Calculations\***

The Solid Waste Division is not enforcing compliance with the Section 2.5 of the Agreement that states that the Contractor “shall provide at its expense an aerial topography survey measurement

to the City at the end of each operating year, with survey and computations performed, signed and sealed by a land surveyor or professional engineer”. These measurements and calculations are critical because, if the Contractor is not averaging 1,428 or less cubic yards of airspace per 1,000 tons of deposited waste, the Contractor has to pay liquidating damages.

When we inquired about compliance with this requirement, the Solid Waste Division was only able to produce a report that is annually sent by the Contractor to the Florida Department of Environmental Protection as required by Section 14.b of the permit with the Florida Department of Environmental Protection. The permit states that “the permittee shall submit the annual estimate of the remaining life and capacity...each year.” The report, signed by a third party professional engineer, simply estimated site life based on the remaining airspace and average waste density data provided by the Contractor. The engineer specifically explained in the report that the source data (the remaining airspace and average waste density) was provided by the Contractor.

It appears that the intent of the Agreement was to obtain a computation of the waste density by a professional engineer or a land surveyor to ensure that the Contractor is averaging 1,428 cubic yards or less per 1,000 tons of waste deposited in the Landfill. Relying on the Contractor to provide this data without computations performed, signed and sealed by a land surveyor or a professional engineer is not sufficient to ensure compliance with the Agreement requirements.

#### **Recommendation to Finding 5**

The Solid Waste Department should ensure that an aerial topography survey measurement is provided annually “with survey and computations performed, signed and sealed by a land surveyor or professional engineer”, as required by the section 2.5 of the Agreement. The computations of the waste density and remaining airspace should only be accepted when performed, signed and sealed by a land surveyor or a professional engineer.

#### **Auditee Response to Finding 5**

Agree                       Disagree                       Partially Agree

*SWD partially agrees with the Recommendation to Finding #5. Currently, TRLFI prepares the annual air space report that is electronically submitted to the Florida Department of Environmental Protection (FDEP). The data from that report is used to calculate the remaining site life report. Both the air space report and the site life report are prepared and signed and sealed by a Professional Engineer. SWD receives the signed and sealed site life report but only a hard copy of the air space report since that report is sent to the FDEP electronically. In the past, SWD relied on the FDEP to ensure the annual air space report is prepared pursuant to the requirements of Chapter 471, F.A.C. Going forward, SWD has directed TRLFI to provide a signed and sealed copy of the annual air space report each reporting year.*

**Opportunity for Improvement 1 \* Surcharges (Administrative Fees) Charged by Contractor\***

Some of the non-tonnage payments made to the Contractor did not include information that would make it easy to identify what section of the Agreement that the charges were applicable to. This included surcharges of different percentages (e.g. 10% or 15%) for oversight costs. It would add clarity and reduce any potential back and forth between the Division and the Contractor regarding what the charge is for if the applicable section of the contract that the surcharge is related to was included on all invoices submitted by the Contractor. This would be similar to requiring a vendor to include the purchase order on an invoice. This should also help address timeliness issues.

**Recommendation to Opportunity for Improvement 1**

To assist in ensuring proper payment, the Division should request that the Contractor include on the invoice the section of the Agreement to which the charges and surcharges relate. If the Contractor will not include this on the invoice, the Division should mark the appropriate section directly on the invoice when they are processing the payment.

**Auditee Response to Opportunity for Improvement 1**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Opportunity for Improvement #1. Currently the SWD is preparing a list of the historical types and categories of services that are paid to TRLFI for non-tonnage payments along with the corresponding sections of the LOA and definitions of said services. This will be sent to OGC for review, comment and concurrence prior to sending to TRLFI for incorporation into their invoice descriptions on scope of work.*

**Opportunity For Improvement 2 \*Video Surveillance System\***

The current security system at the Landfill could be improved with the additional placement or repositioning of cameras at all facility entry points and the safe area. The current security system consists of eight cameras, but did not have cameras located at the south and west facility entry points along with the scale house bypass roads. In addition, there is no camera positioned in the safe area to capture people accessing the safe.

**Recommendation to Opportunity For Improvement 2**

We recommend that the City consider installing additional cameras or repositioning existing cameras at the facility entry points and safe/till areas to improve security.

**Auditee Response to Opportunity For Improvement 2**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Opportunity for Improvement #2. SWD and TRLFI are in the process of evaluating the safety and security measures outlined in TRLFI's operations*

*plan to determine the feasibility of adding additional security monitoring points and the infrastructure required to remotely operate these additional monitoring points. Site access and safety is the responsibility of TRLFI under section 2.9 of the LOA. A City-wide policy regarding the use of security cameras is currently being developed and will also be taken into consideration before changes are implemented. Additionally, SWD has installed security cameras in the safe/till area of the scale house locations.*

**Opportunity For Improvement 3 \*Random Weigh-ins\***

There are many trucks that have a permanent waste container attached to the body of the truck, which are typically referred to as “loaders”. Those loaders have tare weights (vehicle weights) in the Solid Waste Division’s computer system so they are only weighed when they enter the facility. The waste tonnage is calculated by subtracting the tare weight from the weight of the loaded truck.

The method for monitoring tare weights could be improved by implementing a random weigh-in policy. The current re-weigh procedures are performed once per year for each truck in the computer system. Typically, a hauling company’s fleet is completely re-weighed within a one month period. This allows for the potential manipulation of a vehicle weight, given that the company knows re-weighs are being performed and that there will not be another weigh-in for a year. The use of at least some random weigh-ins through-out the year would assist in ensuring the accuracy of computer system data (tare weights) and preventing potential fraud.

**Recommendation to Opportunity For Improvement 3**

We recommend that Solid Waste implement and document a random weigh-in policy that would supplement the annual weigh-in process.

**Auditee Response to Opportunity For Improvement 3**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Opportunity for Improvement #3. A policy and procedure to add random weigh-ins will be implemented, in addition to the current annual weigh-ins.*

**Opportunity For Improvement 4 \* Improving Standard Operating Procedures\***

The Solid Waste Division’s standard operating procedures (SOPs) related to landfill operations and the administration of the Agreement could be improved. We requested all applicable SOPs and were provided with four. We reviewed the four SOPs provided by the division and identified the following deficiencies:

1. all four SOPs did not have an identified creation date;
2. three SOPs did not include the date of the most recent update;

3. one SOP (on monthly tonnage payments) was missing vital timing information (e.g. payments must be made within seven days after end of the month pursuant to the Agreement);
4. one SOP (on inflation adjustment) included incorrect information (listed 70% instead of the correct 100% factor for the inflation adjustment).

Furthermore, the SOPs for non-tonnage invoice payments did not include procedures for the review process (for example, reviewing subcontractor invoices for discount terms or looking for duplicate invoices). Also, the Solid Waste Division did not have an SOP related to the handling, maintenance and review of documentation provided by contractors related to performance and payment bonds.

#### **Recommendation to Opportunity For Improvement 4**

We recommend that the Solid Waste Division evaluate its SOPs related to the operation and administration of the Landfill and update them in order to address all of the issues listed above.

#### **Auditee Response to Opportunity For Improvement 4**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Opportunity for Improvement #4. SWD will review all procedures related to landfill operations and administration of the LOA and will revise them to add all important details. New procedures will be created where necessary. SWD has a separate computer system for landfill operations, so most of the existing procedures are listed in manuals. The manuals will be modified to include a revision date on the title page. The stand alone procedures will be revised to include creation and revision date along with any pertinent timing information. These updates will be created and implemented by August 1, 2018.*

#### **Opportunity For Improvement 5 \*Adding Comments in the System for Unusual Transactions\***

The Solid Waste Division could improve its documentation for unusual transactions. When an unusual transaction is processed or an adjustment is made, notes should be added to the comments section in the computer system making it easier to explain the issue if a transaction is later reviewed or questioned.

We reviewed unusual transactions and found that, for example, no notes were provided in the comments section for situations where vehicles appear to be at the Landfill for an unreasonable amount of time, such as overnight, based on the vehicle's entry and exit times recorded in the computer system. We also identified five (5) hazardous waste transactions in the computer system that were voided without a comment or explanation. Once we questioned various transactions, it was agreed by the scale house manager that additional notes in the comments section of the transaction would be helpful.

**Recommendation to Opportunity For Improvement 5**

We recommend that when an unusual transaction is processed or an adjustment is made, adequate notes should be added to the comments section in the computer system.

**Auditee Response to Opportunity For Improvement 5**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Opportunity for Improvement #5. Going forward, unusual transactions will have notations added in the Compuweigh system along with the landfill ticket.*

**Opportunity for Improvement 6 \*Utilization of Trade Discounts\***

Trade discounts, offered to the Contractor by subcontractors, were not passed on to the City in subsequent invoicing. Provisions of the Agreement allow for the cost of some activity at the Landfill to be paid for, or reimbursed, by the City. In reviewing the support for some of these non-tonnage payments, we noted that one of the subcontractors regularly included trade discounts for punctual payment. On all 8 of the 8 (or 100%) related invoices in which trade discounts were offered, there was no reduction in the amount invoiced to the City, and the City did not reduce the payment to the Contractor. It is unclear if the Contractor actually utilized the trade discounts. In total, these discounts amounted to \$551.84.

**Recommendation to Opportunity for Improvement 6**

We recommend that the City utilize trade discounts when offered. The City should request that the Contractor utilize, and pass on to the City, trade discounts when offered.

**Auditee Response to Opportunity for Improvement 6**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Opportunity for Improvement #6. SWD will direct the contractor to take advantage of all trade discounts offered and pass those savings to the SWD.*

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**Supplemental Internal Control Weakness 1 \*Inadequate Controls over Cash Drawer\***

During our visit to the Landfill, we observed that the key to the change drawer was being stored in the safe, specifically in the key slot to the “bank” drawer. Inside the safe are eight individually locked drawers. The first seven drawers are used to house employees’ tills (i.e. one for each of the scale house operators). The bottom drawer is a communal bank that is used to make change when needed. Also housed in the “bank” drawer are deposits from the prior day(s) activity that are ready to be picked up and delivered to the Tax Collector’s Office.

Because the drawer in question is a communal bank, individual responsibility for the funds and access to the drawer should fall to the manager or supervisor in charge. Because the key was accessible to all scale house employees and possibly non-employees that have gained access to the scale house, it would be extremely difficult to identify a single person as being responsible if funds were to go missing.

**Recommendation to Supplemental Internal Control Weakness 1**

We recommend that the key to the “bank” drawer be stored in a secure location to which only the scale house manager or designee has access.

**Auditee Response to Supplemental Internal Control Weakness 1**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Supplemental Internal Control Weakness #1. The key to the "bank" drawer will be moved to a location that only the scale house supervisor and the scale house lead personnel can access. This change will be implemented by June 22, 2018.*

**Supplemental Finding 1 \*Not Billing on Account for One Hauling Company\***

One of the hauling companies that should have been billed on account for waste delivered to the Landfill was not invoiced by the Solid Waste Division. It appears that the error was due to incorrect account settings. The unbilled balance amounted \$9,331.36.

**Recommendation to Supplemental Finding 1**

Solid Waste Division should collect the \$9,331.36 owed by the customer and periodically review the transaction data to ensure that all transactions are being billed.

**Auditee Response to Supplemental Finding 1**

Agree                       Disagree                       Partially Agree

*SWD agrees with the Recommendation to Supplemental Finding #1. The hauling company in question was billed in June 2017 and \$9,331.36 has been collected. Beginning with the June 2018 monthly billing, a review of the monthly totals by billing account will be compared to the monthly interface report to ensure all transactions are being billed. This procedural change will be implemented by July 3, 2018.*

We appreciate the assistance and cooperation we received from the Solid Waste Division and the Office of the Director within Public Works throughout the course of this audit.

Respectfully submitted,

*Kyle S. Billy*

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