



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Cynthia D. Miller, Audit Director

July 15, 2005

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Roll-Off Container Service, Audit 04-23

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on Roll-Off Container Service.

The Solid Waste Department has already taken positive actions in response to our recommendations. We thank the management and staff of the Solid Waste Department for their cooperation and assistance during this audit.

Sincerely,

Cynthia D. Miller
Director of Internal Audit

cc: Darrell Smith, Chief of Staff
Steve Daignault, Public Works & Utilities Services Administrator
David W. McCary, Solid Waste Director

**SOLID WASTE DEPARTMENT
ROLL-OFF CONTAINER SERVICE
AUDIT 04-23
July 15, 2004**

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Thomas Sanchez, Auditor

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Cynthia D. Miller, Audit Director

**Roll-Off Container Service
#04-23
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INTRODUCTION

The Department of Solid Waste (the Department) entered the Roll-Off Container Service (ROCS) in late 1997. The City was losing revenue as large volume customers converted from front load service (dumpsters) to ROCS provided by private enterprise.

This service includes open top roll-off containers, and compactors. The containers are similar, but the compactors hold about four times the tonnage. Both involve transporting the entire container to the refuse-to-energy facility and returning the container. As indicated in the following chart, the service is growing.

There is a requirement the Full Cost Accounting be provided annually by publishing or other means, and filed with the Florida Department of Environmental Protection (FDEP). The Department has been found deficient in this area in a past audit¹.

Revenue History and Projection

COMMERCIAL REVENUE				
(Excluding bulk [cans])	Actual FY01	Actual FY02	Actual FY03	Estimated FY04
COMPACTOR				
Total Revenue	\$1,361,980	\$1,521,671	\$1,742,765	\$1,943,214
Change from Previous year		11.7%	14.5%	11.5%
3 year change				42.7%
ROLL-OFF				
Total Revenue	\$456,779	\$402,051	\$495,137	\$595,806
Change from Previous year		-12.0%	23.2%	20.3%
3 year change				30.4%
COMMERCIAL CONTAINER (dumpsters)				
Total Revenue	\$16,188,312	\$18,100,131	\$18,113,540	\$20,400,948
Change from Previous year		11.8%	0.1%	12.6%
3 year change				26.0%

Growth in traditional Commercial Container service revenue is primarily due to rate increases; real growth is evident in ROCS, especially Compactor service.

¹ Audit 00-22, Roll-Off Container Service

STATEMENT OF OBJECTIVES

This review was prepared to:

1. Determine if public disclosure and certification of the Full Cost Accounting was performed in accordance with Florida Statutes Section 403.
2. Determine if the ROCS services were cost-effective.

STATEMENT OF SCOPE

This audit included Fiscal Years 2003 & 2002 with respect to Objective 1. Objective 2 focused primarily on FY 2003, although the prior year was referenced. Source documentation was obtained from the Department, and FAMIS. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

With respect to Objective 1, proof of publication was obtained from the Department.

The main sources of information used to address Objective 2 were the Unit Cost Analysis (UCA) prepared by the Department and information obtained from the City's accounting system (FAMIS). The UCA is the basis for the Full Cost Accounting.

Data Reliability. The UCA was prepared by the Department on an Excel Spreadsheet. Source data was traced to FAMIS as we deemed appropriate. Cost allocation formulae and calculations were tested as well and found to be accurate. This does not include the basis for allocation, which is discussed later under *Indirect Cost*.

FAMIS has been extensively reviewed by other Auditors who concluded the system to be sufficiently reliable. We did note input errors, however, discussed later under *Direct Cost*.

AUDIT CONCLUSIONS

1. The Full Cost Accounting was published in accordance with requirements for FY 2002 & 2003; however, proof of publication was not filed with the Florida Department of Environmental Protection as required.
2. It cannot be determined whether ROCS is cost-effective. ROCS revenues and expenditures are not sufficiently segregated in FAMIS to identify direct costs. In one case, ROCS personnel costs were charged to an incorrect cost center. Allocation of indirect costs was not based upon the most appropriate basis.

FULL COST ACCOUNTING

Florida Statutes² require that a Full Cost Accounting be made each year for Solid Waste management. This determination is to be disclosed to users by publication or alternative means. A certification of the disclosure is required to be provided to the Florida Department of Environmental Protection.

We found that the Full Cost Accounting was made for both FY 2002 and FY 2003, and published within the appropriate time frame. The certification was not filed with FDEP either year, apparently due to a misunderstanding as to which City department was responsible for the filing.

RECOMMENDATION 1

Determine the responsible party to file the certification with the FDEP. Then file it in accordance with the Statute.

AUDITEE RESPONSE

Solid Waste Department now will take responsibility to send the Full Cost Accounting advertisement certification to the Florida Department of Environmental Protection. The certification for FY 03 has already been mailed to DEP.

² F.S. 403.7049

COST EFFECTIVENESS OF ROLL-OFF CONTAINER SERVICE

As previously noted, the UCA is the basis for the Full Cost Accounting. We used it as a starting point to determine costs and revenues attributable to ROCS. We recognize that the UCA was not designed for this purpose, and the Full Cost Accounting does not identify ROCS separately. The deficiencies noted are intended to point out improvements that will allow it to be used to determine cost effectiveness of the ROCS program in the future.

Direct Revenue

Revenues are accounted for in FAMIS in reasonable detail. Relevant revenue accounts are:

- Compactor Pickup
- Compactor Disposal
- Compactor Bin Maintenance
- Roll-off Pickup
- Roll-off Disposal
- Roll-off Bin Maintenance

The only problem we noted is that separate revenue accounts are used for apartments and customers under special rate contracts. These accounts include revenues from ROCS, Commercial Container, and Commercial Bulk as a lump sum. This means that some of the ROCS revenues are excluded from the above six accounts and cannot be easily identified.

Indirect Revenue

An allocation of revenues in the UCA seems inappropriate. ROCS revenues were allocated between City and Contractors, even though there are no ROCS contractors. The allocation was based upon overall City/Contractor ratios.

Direct Cost

Only one account is set up to capture ROCS expenses, and it does not include disposal, which accounts for over half of the total operating costs. Disposal expense is classified primarily as either Refuse-to-Energy or Landfill. Both of those accounts include all types of commercial and residential disposal. Scalehouse records could be used to apportion these costs.

We also noted that two of the personnel assigned ROCS duties were not charged to that account. However, unlike the revenue allocation, no ROCS costs are assigned to Contractors.

Indirect Cost

We found that both depreciation and capital expenditures were included in indirect cost. This is inappropriate under accrual accounting since these costs should be captured only through depreciation over the life of the asset. Changes were made when this was brought to the Department's attention.

Indirect costs (\$15.2 million) account for 27% of total collection and disposal costs. Allocations were made in steps between collection and disposal, then between residential, commercial and private haulers, and finally between City and contracted service providers.

The largest component of indirect cost was depreciation (\$8.8 million). The allocation basis used was not consistent with the cost centers incurring the expense. An example would be the cost allocation to contracted service providers, which do not use City equipment. This would cause an understatement of expense to the remaining cost centers, including ROCS.

RECOMMENDATION 2

The following measures should be implemented:

- Provide a means to capture ROCS revenues being assigned to apartments and accounts under special rate contracts.
- To the extent possible, assign adequate line items in FAMIS to capture direct ROCS expenditures.
- Assure that appropriate ROCS expenditures, including personnel costs, are assigned to the correct cost center.
- Assign indirect costs in a more relevant manner.
- Assign disposal costs either through direct costing or other appropriate manner.

AUDITEE RESPONSE

We agree with the recommendations. We are in the process of, as part of the reorganization plan, rearranging the accounts to reflect actual direct cost for each activity like Roll-off/ Compactor service, Container service, Residential Service and Recycling. Along with this, the implementation of the new Solid Waste Operating System (TransComp Tower System) should enable us to collect information and allocate indirect cost more accurately.