

**DEPARTMENT OF SOLID WASTE AND
ENVIRONMENTAL PROGRAM MANAGEMENT
MCKAY BAY
REFUSE TO ENERGY FACILITY
AUDIT 08-12
JUNE 10, 2009**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

June 10, 2009

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

RE: McKay Bay Refuse to Energy Facility, Audit 08-12

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on the compliance by Wheelabrator in their operation of the McKay Bay Refuse to Energy facility.

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

Sincerely,

/s/ Roger Strout
Roger Strout
Internal Audit Director

cc: Darrell Smith, Chief of Staff
Bonnie Wise, Revenue and Finance Director
Tonja Brickhouse, Solid Waste and Environmental Program Management Director
Steve Daignault, Public Works and Utilities Services Administrator

**DEPARTMENT OF SOLID WASTE AND
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/s/ Vivian N Walker

Auditor

/s/ Roger Strout

Audit Director

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INTRODUCTION

The City of Tampa’s Solid Waste and Environmental Program Management Department is responsible for the collection and disposal of solid waste within the city limits. The entry point for all vehicles entering the facility is known as the McKay Bay Scalehouse. The disposal of the solid waste is primarily through its McKay Bay Refuse to Energy (RTE) facility.

The first retrofit process for the current facility began in 1982 and was completed in 1986 by Waste Management, Inc. Waste Management was also the initial operator for a 20 year period. Waste Management assigned its operation and maintenance (O&M) contract to Wheelabrator McKay Bay Inc. in 1990. Wheelabrator still operates the facility and its current O&M contract will expire in 2021. A second retrofit of the facility began in 1999 and was completed in January 2002. As a result of the retrofits, the City was capable of selling excess energy produced by the facility to Tampa Electric. There have been two Small Power Production Agreements, authorized by the City of Tampa since 1982.

The City of Tampa employs an independent consulting engineer to monitor “the operations and maintenance of the facility.” Currently, this contract is with Malcolm Pirnie, Inc.

STATISTICS

	<u>FY06</u>	<u>FY07</u>
O&M Contract Fee	\$12,884,500	\$12,855,453
Excess Energy Sales	\$7,616,182	\$8,623,898

Note: Information for the O & M Contract Fee was obtained via the City’s ADPIC system; excess energy sales data obtained via the City’s FAMIS system.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY08 Audit Agenda. The objective of this audit was to determine compliance by the contractor in the operation and maintenance of the facility.

STATEMENT OF SCOPE

Based on the work performed during the preliminary survey and the assessment of risk, the audit period covered the operations of Wheelabrator for fiscal years 2006 and 2007. Source documentation was obtained from the on-site City of Tampa Monitor at the McKay Bay facility. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample generated was judgmentally selected to improve the overall efficiency of the audit.

To achieve the audit's objective, reliance was placed on data produced by a dedicated AS400 – Refuse to Energy system used by the Solid Waste Scale House. We assessed the reliability of the data contained and concluded it was sufficient to be used in meeting the audit's objective.

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 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.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that overall, the contractor has complied with the agreement. However, during the review for accuracy of calculations, some errors were noted, which indicated the process could be improved.

While the findings discussed below may not significantly impair the operations of the McKay Bay Refuse to Energy Facility, it did identify opportunities to ensure potential risks are more effectively controlled. Before we completed our audit, the opportunities for improvement were addressed and implemented.

MONITORING FOR COMPLIANCE WITH THE AGREEMENT DETAILS

In order to determine compliance with the contract by the contractor, Wheelabrator McKay Bay Inc. (Contractor), the agreement at the time of the audit was reviewed. Sections three and five, of the contract, detailed the Contractor's responsibilities and any subsequent payments or "damages" to be assessed.

Based on the agreement details and after our review for compliance, it was determined that only the requirement to provide audited financial information within 90 days after the company's year-end was not complied with by the Contractor. However, upon notification of our finding, the 2007 financials were provided and the Contractor corrected their records to ensure the City of Tampa will receive these financial statements in the future. A discussion with the Department of Solid Waste and Environmental Program Management (Solid Waste) personnel indicated that the financials were being sent to an outside Counsel for the City of Tampa, but at some point was discontinued.

Eight monthly billings and revenue sharing statements submitted to the City by the Contractor were selected for review. The review was to verify the accuracy of the billing information, as well as, the rates used by Tampa Electric for the excess energy they purchased. This review identified that the incorrect rate for an item labeled "line loss adjustment" had been used since December 2006. The discrepancy was communicated to City personnel by Internal Audit. Tampa Electric was subsequently contacted and a favorable adjustment of \$51,276.01 was received by the City. The adjusted amount covered the period from December 2006 through August 2008. Subsequent billings for September 2008 through November 2008 reflected the correct rate.

As a part of our review to verify the accuracy of scale house tonnage reported on the monthly billings and revenue statements, we noted system reports generated through the City of Tampa Scale House for one month could not be located. These reports are provided to the Contractor monthly. In an effort to obtain the missing documentation, it was indicated they could not be re-produced, as a result, the information could not be verified to ensure accuracy of billing.

RECOMMENDATION 1

Management of the Department of Solid Waste and Environmental Program Management (Solid Waste) should develop a process that would ensure that periodically, the Operation and Maintenance (O&M) agreement is reviewed by Solid Waste personnel for compliance by the Contractor. This review should be documented, and include any documents obtained to support compliance.

Additionally, all documents that result in either payment from or income to the City of Tampa should be reviewed in detail to ensure accuracy.

AUDITEE RESPONSE

The Department of Solid Waste and Environmental Program Management agrees with the audit recommendations for Audit 08-12. Below is our response to the two recommendations that were made as a result of this audit.

The annual report, currently being prepared by Malcolm Pirnie, reviews all major compliance issues in the O&M Contract, but does not cover all the items contained in the spreadsheet developed by the Internal Audit Department. We will use the spreadsheet developed by Internal Audit to create a list of compliance items not covered in the annual report. Each fiscal year, the checklist will be reviewed to insure all required documents were received and a copy of each will be attached to the checklist.

RECOMMENDATION 2

Management of the Department of Solid Waste and Environmental Program Management (Solid Waste) should require that all documentation generated through its internal scale house computer systems be retained to support billings and revenue reports produced by the department.

AUDITEE RESPONSE

The new scale house software is in the final stages of testing and parallel processing. The new software will allow us to archive all scale house transactions and reports electronically. This will allow us to retrieve any documentation required for audit and systematic review.

The current system reports will be retained and archived for use in all reporting and billing requirements.