

**DEPARTMENT OF SOLID WASTE &
ENVIRONMENTAL PROGRAM MANAGEMENT
SOLID WASTE ADMINISTRATION
CONTRACTED SERVICES
AUDIT 09-09
SEPTEMBER 3, 2009**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

September 3, 2009

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

RE: Solid Waste Administration – Contracted Services, Audit 09-09

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on Solid Waste Administration – Contracted Services, Audit 09-09.

The Department of Solid Waste & Environmental Program Management has already taken positive actions in response to our recommendations. We thank the management and staff of the Department of Solid Waste & Environmental Program Management 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
Steve Daignault, Administrator, Public Works & Utility Services
Tonja Brickhouse, Director, Department of Solid Waste & Environmental Program Management
Greg Spearman, Director, Purchasing Department

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/s/ Gary Chapman

Auditor

/s/ Roger Strout

Audit Director

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BACKGROUND

The Department of Solid Waste & Environmental Program Management (Solid Waste) provides environmentally safe, time responsive, and cost effective collection, disposal and recycling services for over 80,000 residential and commercial customers. The department also oversees the City's Environmental Programs. Approximately 360,000 tons of solid waste are processed annually at the McKay Bay Refuse-to-Energy Facility where it is converted to electrical energy.

The department operates an integrated system for waste reduction, recycling, waste-to-energy, and landfill, in a safe, efficient, and environmentally sound manner. Other activities include free pick-up of appliances and roll-off and compactor services.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY09 Audit Agenda. The objectives of this audit were to ensure that:

1. Solid Waste contractors were complying with the provisions of their respective agreements.
2. Solid Waste personnel were adequately monitoring contractor compliance.

STATEMENT OF SCOPE

The audit period covered contracting activity that occurred from October 1, 2008, to March 31, 2009. Source documentation was obtained from the Solid Waste Department. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

No computer processed data was relied on for this audit. Depending on the agreement selected for review, evidence supporting compliance/monitoring was obtained from source documents.

STATEMENT OF AUDITING STANDARDS

We conducted this 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:

1. Solid Waste contractors were generally complying with the provisions of their respective agreements.
2. Except for a few exceptions, Solid Waste personnel were adequately monitoring contractor compliance.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of Solid Waste & Environmental Program Management, they do present risks that can be more effectively controlled.

COMPLIANCE WITH INSURANCE/PERMIT REQUIREMENTS

AUDIT ISSUE

While overall, Solid Waste was adequately monitoring contractor compliance, it could not provide evidence of compliance with all insurance/permitting requirements.

OBSERVATIONS

Solid Waste personnel were not able to provide evidence of insurance or permit requirements for five of the seven agreements selected for testing. One of the five contractors provided evidence of insurance coverage before the completion of our field work.

CRITERIA

During the life of City contracts, contractors must typically provide and maintain insurance coverage that protects the City as an "additional insured" during the operations of the contractor. Additionally, certain agreements may require the contractors to obtain specific permits in order to carry out the activities specified in the agreements.

RISK DESCRIPTION

The City could be liable for property damage or personal injury resulting from activities of the contractor.

RECOMMENDATION 1

Solid Waste should ensure contractors maintain adequate insurance coverage and required permits throughout each contract term.

MANAGEMENT'S RESPONSE

The Department of Solid Waste & Environmental Program Management agrees with the recommendation to obtain proof of insurance coverage for all contract vendors. We rely on the Purchasing Department to forward vendor insurance documents. Since the audit findings, we have obtained proof of insurance coverage for all of our vendors.

WAIVER OF CONTRACT TERMS

AUDIT ISSUE

Waste Management was not required to provide all new commercial refuse bins at the start of the agreement as stipulated in the contract.

OBSERVATIONS

Per the contract monitor, because the existing contractor was awarded the new contract and had commercial refuse bins in place at the start of the contract, the contractor was not required to provide new containers.

CRITERIA

Articles 1.3 and 3.2 of the agreement require the contractor to provide all new commercial refuse bins at the start of the contract.

RISK DESCRIPTION

By not enforcing this provision, a financial advantage was provided to the contractor by allowing the avoidance of startup costs.

RECOMMENDATION 2

In the future, Solid Waste should not waive any contract provisions that provide a financial advantage to a contractor, without passing the savings on to the City.

MANAGEMENT'S RESPONSE

The department agrees with the recommendation. The Waste Management contract was a renewal. In the future, all contractors will be required to meet all specifications of the contract, regardless of whether the contract is new or a renewal. Also, see the response below for commercial refuse bins for our implementation plan.

CONTRACT COMPLIANCE

AUDIT ISSUE

Transportation equipment exceeded the age requirement specified in the agreement.

OBSERVATIONS

The contract monitor had to request a vehicle listing from the contractor. Per the listing, three of the eight trucks listed as in service exceeded the age requirement in the agreement (one was eight years old, two were five years old). All vehicles listed as alternates exceeded the age requirement.

CRITERIA

Article 1.3 of the agreement requires all transportation equipment to remain within four model years throughout the contract term.

RISK DESCRIPTION

Marginal impact - the three vehicles out of compliance were inspected during a field observation and appeared properly maintained and provided a positive public image.

RECOMMENDATION 3

Solid Waste should request that any transportation equipment exceeding four years old be replaced with newer models.

MANAGEMENT'S RESPONSE

The department agrees with the recommendation. The Waste Management contract was a renewal. In the future, all contractors will be required to meet the specifications of the contract, regardless of whether the contract is new or a renewal. The Contract Specialist has made contact with Waste Management and made them aware of the trucks that are not in compliance. They will be made to comply or be fined per the contract.

AUTHORIZATION OF PAYMENTS

AUDIT ISSUE

Payment reconciliations were performed using data supplied by the contractor rather than using independent scale house system reports.

OBSERVATIONS

Upon the recent retirement of the Accountant II Supervisor, an Office Support Specialist IV (OSS IV) was tasked with reconciling the monthly invoice for the operation of the transfer station with minimal training. The service fee is based on a complex formula using various waste tonnage figures. The OSS IV was not familiar with the agreement and did not have sufficient knowledge to properly reconcile the monthly invoice. Instead of using independent source data from scale house tonnage reports, data provided by the contractor was used to perform the payment reconciliation and authorization. Errors were found in the contractor's data that would have been identified had independent source data been used to perform the reconciliation.

CRITERIA

Accounting controls require that data used to reconcile invoices and authorize payments come from an independent source.

RISK DESCRIPTION

Reconciliations performed using unverified data could result in over/under payments.

RECOMMENDATION 4

Payment reconciliations should be performed using independent source data. In order to properly perform the reconciliation, the employee performing the activity should become familiar with the contract terms and gain an understanding of details of the payment formula. Consideration should be given to reassigning the reconciliation and payment authorization function to accounting personnel.

MANAGEMENT'S RESPONSE

We agree with the audit recommendation. With the past five months of experience, the Office Support Specialist has begun to understand not only the how but the why of each of the steps she performs in the accounts payable function. In order to reconcile the monthly invoices, she will now compare the charges on the vendor's invoice to the daily records that are produced by the Scale House. She also will cross-reference all numbers day-by-day (using the Scale House report REF182AA) before approving invoices for payment. She will verify both tonnage and rate charges.

We agree that this function should be performed by a degreed accountant or trained accounting technician. It is anticipated that the Accountant II vacancy in Solid waste will be filled after the city-wide Fiscal Accounting Consolidation EETF is completed. This will place all of the accounting functions back with a degreed accountant under the supervision of Revenue & Finance.

COMMERCIAL REFUSE BINS

AUDIT ISSUE

The results of tests on a statistical random sample of commercial refuse bins indicated that twenty-two percent exceeded the age criteria specified in the agreement.

OBSERVATIONS

A test of last service date on a statistical random sample of commercial refuse bins revealed that 22% (13 out of 59) had no service activity within the last four years.

CRITERIA

Article 1.3 of the contract states "In addition, all dumpsters must be no older than four years, meet appropriate regulatory standards, and be aesthetically appealing to provide a positive public image and minimize complaints from customers."

RISK DESCRIPTION

Although the commercial refuse bins inspected appeared properly maintained and relatively aesthetically appealing, the age of the bin has a direct relationship to its appearance, ability to meet regulatory standards, and the number of customer complaints.

RECOMMENDATION 5

Solid Waste should request that the contractor replace all commercial refuse bins with a service life greater than four years as required by the contract.

MANAGEMENT'S RESPONSE

We agree with the audit recommendation. The Waste Management contract was a renewal. The Contract Specialist assesses the condition of all the bins in the field. Waste Management does a good job of maintaining the appearance and functionality of all their bins. In many cases, Waste Management will recondition bins and then place them back into service. On record, these bins exceed 4 years of age; however, their reconditioning makes them equal to a new bin.

We will do a field inspection of each of the bins you noted as over four years in age and determine from Waste Management records whether they have been reconditioned or replaced in compliance of the contract. This information should be noted in our files. A determination will be made whether we will accept reconditioned bins as equivalent to new or whether a new bin should be put in place as specified in the contract.

ALLEY CLEARING/TREE TRIMMING

AUDIT ISSUE

Alley clearing work was paid based on the length of the entire alley rather than the actual work performed.

OBSERVATIONS

Solid Waste enters into contracts with outside vendors for alley clearing and tree trimming services. In 2009, the total estimated cost of the two agreements was \$102,240. The alley clearing agreement specifies that payments are calculated using work units, which equal 25 linear feet of alley clearing. Currently, the contractor is paid based on the length of the entire alley, without regard to areas that do not need to be maintained.

CRITERIA

Section 4.10 of the agreement states that bids were based on a per unit basis with a unit being equal to 25 linear feet of clearing per the technical specifications detailed in the agreement.

RISK DESCRIPTION

Payments were not based on actual work performed, which resulted in higher costs.

RECOMMENDATION 6

Payments for alley clearing work should be based on the amount of work performed using the unit costs specified in the agreement.

MANAGEMENT'S RESPONSE

We agree with the recommendation to change the method of assigning and paying the alley maintenance contract. The alley work is currently being assigned on a block by block basis. Per the contract, the contractor can be assigned work through use of a map or diagram of all or a portion of the alley. Therefore in the future, the staff member who assigns the alley work will need to determine by either personal field inspection or field description from another solid waste division staff member the amount of work to be given the contractor. Beginning immediately, she will provide to the contractor a diagram for all work to be performed in 25 ft increments of the alley.

EFFICIENT GOVERNMENT

AUDIT ISSUE

Because the City's Clean City Division is already equipped to perform alley clearing and tree trimming work, there is an opportunity to shift some of this activity to the Division and reduce overall costs.

OBSERVATIONS

It may be possible to reduce costs by using the City's Clean City Division to perform some of the alley clearing and tree trimming work. The Division is already equipped to perform the work and there should not be any additional startup costs. The Division could be engaged to perform some of this activity as its workload permits.

CRITERIA

The City's Strategic Plan initiative regarding efficient government focused on customer service includes the identification of potential cost savings.

RISK DESCRIPTION

Exclusive use of contracted services may result in avoidable costs.

RECOMMENDATION 7

Solid Waste should work with the Clean City Division to determine the type and quantity of alley clearing and tree trimming activity that its personnel could perform.

MANAGEMENT'S RESPONSE

The Department of Solid Waste & Environmental Program Management agrees that the duplicate duties among Clean City, Parks Dept Forestry Division, and us should be more clearly defined. Maintenance of alleys includes trash abatement, illegal dumping, special pick up of furniture & white goods, and tree trimming. Because Solid Waste depends on these alleys to perform our work, we have taken the responsibility to contract for their maintenance. We can enter into a dialog with Clean City to take on this work and reimburse them monthly via a journal entry for their service. This will depend on Clean City's labor availability, expected response time, and the unit cost. Because the change in service delivery was not expected in the FY10 budget preparation, it would need to be approved as an adjustment to revenue for the general fund from an enterprise fund. This could be true for the Parks Department Forestry Division if they would prefer to perform the tree trimming function and leave the remaining duties to Clean City.