

**DEPARTMENT OF SOLID WASTE AND
ENVIRONMENTAL PROGRAM MANAGEMENT
CONTRACTED SERVICES**

**AUDIT 19-10
JULY 19, 2019**



CITY OF TAMPA

Jane Castor, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

July 19, 2019

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Solid Waste – Contracted Services, Audit 19-10

Dear Mayor Castor:

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

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

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: Dennis Rogero, Chief of Staff
Brad Baird, Administrator for Public Works and Utility Services
Sonya Little, Chief Financial Officer
Mark Wilfalk, Director of Solid Waste and Environmental Program Management
Ernest Mueller, Chief Assistant City Attorney

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/s/ Vivian N Walker

Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

The Department of Solid Waste and Environmental Program Management (Department) has more than 25 contracts for which they are responsible. These include contracts for commercial waste collection, waste hauling, recyclables, storage tank maintenance (all departments except Water and Wastewater), and the operation of the refuse to energy facility – McKay Bay along with many others. This audit did not cover some of the smaller contracts or most contracts that may have been included in other audits completed at the Department. In total, the more than 25 contracts have an annual expense exceeding \$25 million per year.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY2019 Audit Agenda. The objectives of this audit were to ensure that:

1. The system of internal controls for contract monitoring and invoice payments was adequate.
2. Republic Services of Florida complied with the requirements of its current agreement.
3. WM Recycle America complied with the requirements of its current agreement.
4. Sites with storage tanks were properly tested and any required maintenance was performed in compliance with the current contract.
5. Revenues generated from WM Recycle America collections were accurately calculated.
6. Payments related to contracts for non-commercial collection activities were properly supported.

STATEMENT OF SCOPE

The audit period covered contracted services activity that occurred from January 1, 2018, through January 31, 2019. Tests were performed to determine whether Solid Waste personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

The objectives for this audit were completed using the following procedures:

- Observed both the condition of and location for housing commercial collection vehicles.
- Observed the recyclable vendor's facility for compliance with safety requirements.
- Reviewed documentation maintained for storage tank maintenance.
- Reviewed and verified the accuracy of billing for major contracts.

The separation of duties between contract monitoring and invoice payment was evaluated to assess the system of internal controls. The sources for data were generated primarily based on the Multi-Service System (MSS) and Oracle. Prior audits for Solid Waste Compactors and Roll-Offs assessed the reliability of data from MSS and it was deemed unreliable. During the audit, MSS was replaced with new software known as Cayenta. Therefore, the data from MSS was considered informational only. Data from Oracle was assessed during the audit of Accounts Payable and deemed reliable.

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:

1. The system of internal controls for contract monitoring and invoice payments is adequate.
2. Republic Services of Florida complies with the requirements of its current agreement.
3. WM Recycle America complies with the requirements of its current agreement.
4. Sites with storage tanks are properly tested and any required maintenance is performed in compliance with the current contract.
5. Revenues generated from WM Recycle America collections are accurately calculated.
6. Payments related to contracts for non-commercial collection activities are properly supported.

SPILL PREVENTION CONTROL AND COUNTERMEASURE PLAN

STATEMENT OF CONDITION: The Solid Waste Department is the contract monitor for 20 storage tank sites. Six sites do not require a Spill Prevention Control and Countermeasure Plan (SPCC) as they do not meet the minimum capacity required by the Environmental Protection Agency (EPA) for a SPCC. For the remaining 14 sites, a review of the required SPCC identified the following: 1 site (for property being leased) does not have a SPCC and 13 sites have a SPCC that is signed by an employee who is not at “a level of authority to commit the necessary resources to fully implement the plan.”

Additionally, it was also noted that five SPCCs were implemented more than five years ago, which exceeds the effective timeline established by the regulation.

CRITERIA: EPA - 40 Code of Federal Regulations (CFR) Sections 112.7 - General requirements for a SPCC states that the owner or operator of a facility must prepare a SPCC. Additionally, the SPCC is required to have "full approval of management at a level of authority to commit the necessary resources to fully implement the SPCC" and Section 112.5 requires that the SPCC be “reviewed and evaluated at least once every five years.”

CAUSE: The Environmental Specialist (Specialist) indicated that previous management within the department operating the tank, delegated responsibility; however, there is no documented record of those designations. The current duties for the Specialist identifies the SPCCs as an ancillary responsibility; therefore, there are no committed resources to ensure the SPCCs are maintained.

EFFECT OF CONDITION: Non-compliance with the requirements of the CFR and environmental fines if a spill occurs without a proper response to limit contamination.

RECOMMENDATION 1: Management should ensure the individual signing the SPCC for “Management Approval” meets the requirement of the referenced CFR. If the individual is different from the current signer, the SPCC should be revised to reflect the appropriate individual's signature.

All SPCCs with a date greater than five years should be updated as required. After revision, a process should be developed to ensure they are subsequently revised every five years to prevent future lapses.

MANAGEMENT RESPONSE: The Solid Waste Department agrees. Other city departments have designated members within their organization to follow SPCC protocol. In order to establish continuity in protocol, the Solid Waste Department’s Environmental Engineer Supervisor will ensure each department complies with SPCC and the requirements of the EPA-40, Section 112.7, Code of Federal Regulations. The Environmental Engineer Supervisor will also ensure that the site designee receives a current copy of the SPCC Plan. A Departmental policy will be created to ensure that the Environmental Coordination unit maintain copies of the most recent SPCC Plans and will monitor the required 5-year review. Six months prior to each 5-year review and evaluation due date, the Environmental

Coordination unit will notify the appointed Departmental site designee of the EPA requirements.

TARGET IMPLEMENTATION DATE: 8/31/19

SOLID WASTE RECYCLING COMPOSITION STUDY

STATEMENT OF CONDITION: Annually, WM Recycle America (WM) and Solid Waste employees perform a composition study (study) for both residential and commercial truck loads of recyclable materials collected. The recycling agreement establishes the protocol for documenting the study in order to determine the "percentages to be used in calculating the City's Average Market Value." The average market value is used to calculate the amount of income received.

After completing the study, WM submits An Aggregated Customer Audit Report (audit report) to Solid Waste. The audit report details each commodity and the average market value percentage calculated. Accompanying the audit report is the Customer Audit Report, which provides specific data for each Solid Waste truck that participated in the study. During the study both WM and Solid Waste record the gross, tare, and net weights for each commodity type for each load evaluated. This documentation 2018-19 composition study was reviewed to verify the accuracy of the percentages being used. The following discrepancies were noted:

- Truck numbers on the Customer Audit Report could not be traced to the original source document.
- Original source documents were not included in the data used to determine the percentages used.

The sample testing of weigh tickets identified the following percentage rates (rates): Residential – 73.55%/26.45% and Commercial – 78.57%/21.43%. However, a recalculation using the original evaluation sheets identified discrepancies. In comparison to the rates used, the differences negated each other resulting in the ratios being the same, see below:

Source	Residential Commingled	Residential Residual	Commercial Commingled	Commercial Residual
Aggregated Customer Audit Report (rounded)	73.60%	26.40%	78.60%	21.40%
Original Truck Evaluation Sheets	73.84%	26.16%	77.08%	22.92%
Difference	.24	-.24	-1.52	1.52

Additionally, in determining the revenues, the above rates are used in calculating income based on the market rate identified by an index known as the "yellow sheet." The yellow sheet is a subscription based source that provides pricing information for commodities in various areas. Solid Waste is not obtaining verification that the rates being used by WM were reported on the yellow sheet.

CRITERIA: Sections 5.13 and Exhibit 4 of the WM Recycle America agreement establishes the protocol for the composition study and Exhibit 2 defines the market price index to be used.

CAUSE: No established process for verification of reports generated by the vendor.

EFFECT OF CONDITION: Inaccurate percentages or commodity rates would reduce the amount of income remitted to the City from disposal of recyclable commodities.

RECOMMENDATION 2: Management should establish a process that would ensure the data provided by WM Recycle America is verified and agrees with the original source data. The verification process should include periodically validating the commodity rate being paid to the City of Tampa.

MANAGEMENT RESPONSE: Agree. The Department's Recycling Coordination team conducts monthly reviews of the WM rebate reports. These monthly reviews have successfully identified payment errors in commodity pricing calculations prior to finalizing payments to the city. In order to maintain accuracy in calculations, the Department has initiated subscriptions to the PPW Yellow Sheet pricing index (www.Risi.com) and RecyclingMarkets.net to verify commodity rates per the corresponding agreement.

TARGET IMPLEMENTATION DATE: June 30, 2019