

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DIVISION
SOLID WASTE DIVISION
AUDIT REPORT

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MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DIVISION
SOLID WASTE DIVISION
AS OF JANUARY 31, 1996
AUDIT REPORT

A financial, compliance, and operational audit of the Manatee County Solid Waste Division was conducted by the Internal Audit Division for the audit period September 1, 1994 through January 31, 1996. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

BACKGROUND:

The mission of the Solid Waste Division is to provide public service to the community regarding all aspects of the disposal of solid waste. The Division consists of the following four Sections:

- Landfill Operations Section is responsible for the planning, development and operation of programs providing for and enforcing the proper disposal of solid waste generated in Manatee County in an environmentally safe manner.
- Collection Administration Section handles the collection and billing of charges for residential and commercial garbage pick-up services as required in the mandatory collection ordinance, and facilitating the relationship between collection customers and the franchise haulers.
- Recycling Operations Section implements programs to reduce the volume of solid waste through recycling to ultimately meet the goals established by the State of Florida, and administers any related contracts.
- Landfill Closures Section provides for the incremental closure of the Lena Road landfill and the long-term monitoring of these closed portions and the closed Erie Road landfill as required by the Florida Department of Environmental Protection.

PURPOSE/OBJECTIVE:

The main audit objectives include, but are not limited to, the following:

- To verify accuracy and input timeliness of financial data, and reports processed and received by the Solid Waste Division.
- To verify an adequate system of internal control exists to safeguard assets, maintain the integrity of reports on operations, and provide adequate evaluation of the Solid Waste Division's objectives and responsibilities.
- To verify compliance with significant laws and regulations, including Florida Statutes, federal regulations, ordinances, resolutions, policies, and signed agreements or contracts related to the Solid Waste Division.
- To evaluate operational efficiency and effectiveness.

SCOPE:

The financial audit scope consisted of a review of accounts, financial transactions, and reports of the Solid Waste Division for the period September 1, 1994 through August 31, 1995.

The compliance audit scope consisted of a review of the policies and procedures, Florida Statutes, federal regulations, ordinances, resolutions, contracts, and agreements related to the Solid Waste Division for the period September 1, 1994 through January 31, 1996.

The operational audit scope consisted of a review of the Solid Waste Division's internal controls and the effectiveness and efficiency of the operation during the audit period September 1, 1994 through January 31, 1996. Management controls were also reviewed to identify significant weaknesses that may have contributed to deficient performance.

METHODOLOGY:

Internal control evaluations were accomplished by flow charting key operations, discussions with management and staff, observations, and analytical and substantive testing of individual internal controls.

Risk analysis was used to establish priorities of audit objectives. Statistical sampling was used whenever appropriate to accomplish audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the audit that could affect the Solid Waste Division for the audit period ending January 31, 1996.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls, and assessed control risk. Tests performed appeared to provide sufficient evidence to support an opinion on compliance and internal controls.

Except as noted in our audit report, tested items were in compliance with significant laws, regulations, and internal controls that included Florida Statutes, ordinances, resolutions, personnel policies, other policies established by the Solid Waste Division and other applicable laws and regulations.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing our audit of the Solid Waste Division for the period September 1, 1994 through January 31, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of our report on the Solid Waste Division. As a result, we noted in the audit report any significant matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure, that in our judgment, could adversely affect the

organization's ability to record, process, summarize and report on data consistent with the intent of management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, significant deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report constitute reportable conditions as previously defined.

MANAGEMENT SUMMARY:

We found that management and staff were receptive and responsive to the needs of the citizens of Manatee County in providing valuable solid waste services. Considering the high volume of activity occurring at the landfill, the employees conduct business in a courteous and professional manner.

Internal Audit compared the tipping fees of landfills in neighboring counties and found that Manatee County's rates encourage flow of garbage into Manatee County's landfill. Manatee County's tipping fees are significantly lower than surrounding counties and about half the average tipping fees of all Florida counties. Internal Audit found that tipping fees of most other counties included a portion to be reserved for future acquisition and development of new landfills. Manatee County's tipping fees do not include an amount for such reserves. We also noted that the residential collection rates charged to the public were significantly lower than rates charged in surrounding counties. In this report we recommend the Board of County Commissioners significantly increase the tipping fees at the landfill to be comparable with neighboring counties to discourage the flow of garbage, and to establish a reserve for the acquisition and development of future landfills. (See Detailed Audit Finding #1, at page 7)

We reviewed the Solid Waste Division's internal controls for monitoring of the various vendor contracts associated with recycling and other services provided to the landfill. We found a lack of controls which resulted in loss of revenue from recycling vendors and incorrect billings of professional services. The Solid Waste Division is attempting to recover lost revenues. In this report we recommend internal controls be strengthened over contract monitoring and support management's attempts to recover lost revenue. (See Detailed Audit Finding #2, at pages 8 through 9)

We found that the Solid Waste Division is charged 100% of enforcement personnel costs, although these employees are not dedicated exclusively to enforcement of the Solid Waste Ordinance. In addition, we reviewed the enforcement of the Solid Waste Ordinance and found that key sections of the Solid Waste Ordinance are not being enforced. In this report we recommend the Solid Waste Division be charged only for enforcement activities related to the Solid Waste Ordinance. We further recommend management ensure compliance with the sections of the Solid Waste Ordinance that current enforcement does not address. (See Detailed Audit Finding #3, at pages 10)

We examined tipping fees and found that some Manatee County departments are not charged. We did not find Board of County Commissioners' approval for the exemption of these fees for county ditch cleaning, clean-up of illegal dumping and sludge from the

MANAGEMENT SUMMARY: (Continued)

wastewater treatment plants. In addition, we found an error in one of the rates that resulted in approximately \$1,350 in lost revenue since November of 1995 when the

incorrect rate was programmed. In this report we recommend that the Solid Waste Division seek Board of County Commissioners' approval for the exemption of activities from landfill fees and we recommend correction of the rate that was incorrectly programmed. (See Detailed Audit Finding #4, at page 11)

We examined the surveillance system installed at the landfill and found controls to be weak. In this report we recommend security controls be strengthened. (See Detailed Audit Finding #5, at page 12)

We reviewed fixed assets of the Solid Waste Division and found many assets, including several vehicles, that were transferred to other departments without reimbursement of the fair market value as required by enterprise fund accounting. In this report we recommend reimbursement to the Solid Waste Division for all assets transferred to other departments. (See Detailed Audit Finding #6, at page 13)

Our review of the scale house computer found inaccuracies and inefficiencies. Management intends to replace the system when other capital improvements are made at the landfill. In this report we support management's desire to replace the current system with software designed to better serve the needs of the Solid Waste Division. (See Detailed Audit Finding #7, at page 14)

We reviewed security over assets and found security controls require strengthening. In this report we recommend strengthening of security over cash drawers, computer data, and office facilities. (See Detailed Audit Finding #8, at page 15)

AUDIT REPORT AUTHORIZATION:

Other minor findings, not included in this report, have been communicated with management or corrected during the audit. We would like to thank the Solid Waste Division's personnel and management for the cooperation and courtesy afforded to our auditors throughout the audit.

This audit report has been reviewed and authorized by :

Richard J. Orienti, CIA, CFE R. B. "Chips" Shore

Director of Internal Audit Clerk of the Circuit Court

DETAILED AUDIT FINDINGS

Internal Audit compared the tipping fees in Manatee County with those of other Florida counties. We found that Manatee County's tipping fees were significantly lower than surrounding counties and half the average rate of all Florida counties. While the current landfill tipping fees are set at a level that is designed to cover the operating, closure and post-closure costs, the fees do not contain a component to build reserves for future landfill acquisition and development. Manatee County's low fees encourage flow of garbage from neighboring counties, decreasing the life expectancy of the landfill.

Manatee County has established an out-of-county tipping fee which is twice the normal tipping fee. We found that few waste haulers are charged the out-of-county fee due to a lack of identification of out-of-county waste by the Manatee County landfill and code enforcement personnel.

The following tipping fees show the incentive for construction waste haulers and other haulers of waste to bring garbage to Manatee County's landfill from neighboring counties:

Manatee County Sarasota County Hillsborough County

In-County: **\$23.00** \$63.77 \$67.60

Out-of-County: **\$46.00**

Tipping fees are a component of the residential collection rates charged to the public for curb-side collection. Internal Audit found that Manatee County's residential collection rates are also significantly lower than surrounding counties.

We recommend the Board of County Commissioners significantly increase tipping fees to a rate that discourages garbage flow from neighboring counties and establishes a reserve for future landfill acquisition and development. Without significant rate increases, Manatee County's landfill will continue to experience flow of garbage from neighboring counties which results in a reduced life expectancy of Manatee County's landfill.

DETAILED AUDIT FINDINGS

The Solid Waste Division is responsible for monitoring contracts and agreements with vendors providing services involved in the landfill operations. We found contracts were not monitored and compliance with the terms and conditions of those contracts was not always achieved. Examples of non-compliance include, but were not limited to, the following:

For more than three years the Solid Waste Division neither maintained current contracts, nor collected fees for newspapers, cans, and plastics recycled. As of January 1996, all recyclables are included in the waste haulers' agreements and are not separately contracted.

Glass recycling was not reconciled to reports from the waste haulers resulting in a loss of revenue of at least \$35,000 since May of 1991 when the contract began.

The contract for recycling of office paper was not monitored and the vendor did not properly document or make payments in accordance with the agreement.

The Solid Waste Division has an inter-local agreement with Longboat Key to accept garbage from Sarasota County's portion of Longboat Key provided it is separated and identified to permit charging of a higher contracted tipping fee. The Solid Waste Division has not monitored this inter-local agreement. The waste hauler is currently mixing Sarasota and Manatee garbage for Longboat Key, resulting in lost revenue paid to the Solid Waste Division.

Work assignments of contracted engineering services included direct costs that were not allowable under the contract. During the audit, a recovery of \$2,173.65 was received for these unallowed costs.

A contract for the sale of mulch from the landfill expired on different occasions and was not renewed timely. In addition, billings under a contract with the same company for producing the mulch was not monitored which resulted in underbilling by the contractor for eight months.

DETAILED AUDIT FINDINGS

Battery recycling requires the vendor to submit a log of battery pick-ups; however, this log has not been obtained to document the flow of batteries through the landfill. We found that a contract does not exist for battery recycling; instead, Purchase Orders are made for each pick-up. Negotiating contracts where terms can be tailored to better define the services required is more efficient than processing Purchase Orders.

A contract for the removal of white goods (refrigerators, stoves, etc.) expired and a new contract was not approved for over a year. In addition, a lack of monitoring this contract allowed the vendor to adjust the weight of collected items, resulting in reduced revenues.

An invoice for renewal of a software maintenance agreement for \$325 was processed and paid twice. The Solid Waste Division is seeking credit for the overpayment.

Management has informed Internal Audit that a lack of staff and oversight by management allowed contracts to go unmonitored in the past. Management states that contract monitoring will be given a higher priority and that staffing deficiencies have been recently corrected to allow increased contract monitoring.

We recommend the Solid Waste Division management work with the County Attorney's Office to attempt recovery of lost revenues from contractors. We also support management's strengthening of contract monitoring to prevent future loss of revenues.

DETAILED AUDIT FINDINGS

Code Enforcement personnel were consolidated under the Public Safety Department. Prior to the reorganization, two enforcement employees were Parks and Recreation Department personnel. The Solid Waste Division exclusively directed the activity of these two code enforcement employees to monitor compliance with the Solid Waste Ordinance. The two employees now report to the Public Safety Department management and the Solid Waste Division is charged 100% of their personnel costs. According to the Director of the Public Safety Department, these employees respond to all solid waste related complaints, such as illegal dumping, but are also used for other activities not related to solid waste enforcement. Solid Waste Management is concerned that other provisions of the Solid Waste Ordinance are not receiving sufficient enforcement.

Code enforcement activities which are not currently being performed include:

- monitoring and interception of out-of-county garbage flowing into Manatee County's landfill, primarily from construction and demolition which should be assessed at a higher tipping fee;
- inspections of any vehicle for compliance with the vehicle's condition and tarp (covering of waste load) requirements of the Solid Waste Ordinance 85-11 which enforce public safety concerns over proper garbage containment;
- inspections of vehicles subject to the mandatory waste hauler licensing decal program required by the Solid Waste Ordinance 85-11. Without decal identification, weights of empty vehicles are not programmed into the scale house computer resulting in efficiencies.

We recommend the Solid Waste Division be charged only for personnel costs related to enforcement of the Solid Waste Ordinance. In addition, we recommend management ensure compliance with sections of the Solid Waste Ordinance that current enforcement does not address.

DETAILED AUDIT FINDINGS

We examined the rates charged for various types of garbage and found that tipping fees are not being charged to the Public Services and Transportation departments for county ditch cleaning and clean-up of illegal dumping. In addition, tipping fees are not being charged for the dumping of sludge from the county wastewater treatment plants. Management stated that the sludge and most of the ditch cleaning material can be used to cover the landfill. The Public Utility Revenue Bond covenants require that all Manatee County departments be charged unless the Board of County Commissioners approves exemptions by resolution or ordinance for furtherance of public health, welfare or safety reasons. While a rational justification can be made for each of the above types of dumping, we did not find that Board of County Commissioners' approval by resolution or ordinance was obtained.

We reviewed the tipping fees programmed into the scale house computer and compared those rates to those approved by the Board of County Commissioners. We found that the Board of County Commissioners approved a \$28.75 per ton tipping fee rate for garbage from the Sarasota County portion of Longboat Key; however, in November of 1995 the rate programmed into the scale house computer was only \$28.00. Internal Audit conservatively estimates that this input error resulted in loss of revenue of approximately \$1,350 in the six months since the incorrect rate was programmed.

We found personnel have security clearances who no longer work for the Solid Waste Division. We also found rates in the computer that are obsolete and which have not been removed from the computer system.

We recommend the Solid Waste Division seek Board of County Commissioners' approval for exemption of tipping fees for county wastewater treatment plant sludge, county ditch cleaning and clean-up of illegal dumping by county crews. We recommend the Solid Waste Division immediately correct the tipping fee for the Sarasota County portion of Longboat Key to reflect the rate approved by the Board of County Commissioners. We also recommend the Solid Waste Division review and eliminate obsolete rates and security clearance of personnel no longer operating the system.

DETAILED AUDIT FINDINGS

The video surveillance system installed to monitor traffic at the landfill records daily transactions of the scale house. We found that the video recorder is stored in an unlocked room that allows access by all Solid Waste Division personnel. We also found that the tapes used to record landfill operations were not always properly recorded or labeled.

We recommend the video recorder be moved to a more secure location with access restricted to the scale house supervisor. This will improve the security of recording daily scale house transactions. We also recommend the Solid Waste Division properly record the daily activities and properly maintain and label all video tapes.

DETAILED AUDIT FINDINGS

Internal Audit reviewed the fixed asset listing of the Solid Waste Division. We found that many assets, including several vehicles, purchased by the Solid Waste Division are currently being used by other departments. The Solid Waste Division is an Enterprise Fund which requires reimbursement of fair market value for assets transferred to other departments. A memorandum from the Clerk of the Circuit Court's Finance Department lists \$61,813.49 worth of assets currently in use by other departments, without reimbursement to the Solid Waste Division.

We recommend that the Solid Waste Division be reimbursed for all equipment transferred to other departments.

DETAILED AUDIT FINDINGS

The scale house computer records scale weights and assigns fees for the types of garbage brought into the landfill. The computer generates balancing reports and reports of operations. We reviewed the accuracy and internal controls over use and operation of the scale house computer and found significant deficiencies. Some of the deficiencies include:

- The system does not automatically register movement onto the scale, requiring the attendant to enter each vehicle on the computer.
- The computer software has not been adequately programmed to accurately reflect transactions processed through the scale house.
- The system does not have sufficient data fields to record identification of vehicles, requiring scale house attendants to use a manual identification system which is not always accurate.
- The scale house computer does not interface with the customer information system which is used to bill customers' accounts, creating duplicate input and other inefficiencies.

Management is aware of the ineffectiveness and inefficiencies in the current system and anticipate replacement of the system with future renovation of the scale house facilities.

We support management's replacement of the current computer system in the scale house with software better designed to handle the needs of the Solid Waste Division.

DETAILED AUDIT FINDINGS

We reviewed security controls over assets and computer data. We found a mobile office trailer in use at the landfill which can not be locked. This trailer contains computer equipment. We also found that computer software and data is not backed-up for the personal computers used at the landfill. We reviewed security controls in the scale house and found that attendants did not lock their cash drawers when they left for breaks. The Solid Waste Division has purchased cash drawers that lock; however, they were not being locked.

We recommend the scale house personnel lock their cash drawers when they leave for breaks. We also recommend the Solid Waste Division repair the office trailer to increase security of the equipment. We further recommend that the Solid Waste Division regularly back-up computer data to protect against loss of data.

MANAGEMENT'S RESPONSE

MEMORANDUM

DATE: May 21, 1996

TO: R. B. "Chips" Shore, Clerk of the Circuit Court

FROM: Len Bramble, P.E., Public Works Director

SUBJECT: SOLID WASTE DIVISION AUDIT REPORT RESPONSE

I am in receipt of and have reviewed the draft Solid Waste Division Audit Report. The following comments address each of the Audit Recommendations included in the "Detailed Audit Findings" section of the report.

Finding #1

Department staff concurs with this finding and recognize that our tipping fee is significantly lower than neighboring counties; and is, in fact, the lowest of any publicly owned and operated landfill in the State.

Finding #2

Department staff intends to use, to the greatest extent possible, assistance from the County Attorney's Office to attempt recovery of lost revenues from contractors. Staff is already pursuing rectification of some of the items identified.

Finding #3

Department staff concurs with the observations and recommendations of your office. These issues have, in fact, been brought forward as part of the FY 96/97 budget process.

Finding #4

Department staff concurs with recommendations of the audit. Staff has previously sought approval from Board of County Commissioners on a case-by-case basis only. Staff will look into blanket Board of County Commissioners' approval for exemption of certain recurring items. As of this writing, the Public Works Department has corrected tipping fees applicable to the Sarasota County portion of Longboat Key. Department staff will be seeking recoupment of prior under-charged tipping fee revenues pertaining to this oversight.

Pertaining to landfill gate house software; staff will be addressing this issue within the current software but hope to have more appropriately designed software in the near future, and are attempting to upgrade the scalehouse software in out FU 96/97 budget request (see Finding #7).

Finding #5

Department staff concurs with the audit findings, and the process of identifying and providing a more secure location for the video recorder and power supply will be investigated. Staff will also implement a program to properly manage and maintain the video security system.

Finding #6

Department staff concurs with the audit findings. We believe that this issue is directly related to issues within Audit Finding #3, and that rectification of issues in Audit Finding #6 are therefore contingent upon rectification of Audit Finding#3 as well.

As this item refers to Code Enforcement (Audit Finding #3), transfer/disposal forms were prepared and sent to Asset Management, but were not processed due to Code Enforcement's unwillingness/inability to pay for the assets.

Finding #7

Department Staff Concurs with the audit findings. The FY 96/97 budget request includes funds to replace the scalehouse software described as deficient.

Finding #8

Department staff concurs with the audit findings. The existing cash boxes are keyed alike which defeats the purpose of locking them during breaks and lunch. New cash boxes with individual keys are in the process of being procured. Attendants will be instructed on proper procedures.

As of this writing, the mobile office trailer has been secured with new locks to correct the deficiency noted in this audit.

The most critical data resides on the scalehouse computer system and is being backed up. The backed up material is kept at 66thru St. complex. While we are conducting data back-up in some instances, staff will look more closely at all data systems to be sure not critical data residing on other systems is being overlooked.

I wish to point out that, in my opinion, the entire Audit Report process has been professionally conducted by all staff involved, and has provided additional insight and a different perspective of the operation of the Solid Waste Division. The Audit findings and recommendations will certainly be most beneficial to our operation of the solid Waste Division.

LEB/ea

Cc: Ernie Padgett

Dan Gray

Dave Brangaccio

Gus DiFonzo