

AUDIT OF LANDFILL OPERATIONS

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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent audit of landfill operations. The purpose of the audit was to assess compliance with applicable Florida Statutes, Florida Administrative Codes, county ordinances, agreements, and policies and procedures related to the operations of the landfill.

The audit found that the operations of the landfill lacks Board of County Commissioner's (BCC) approval for hazardous waste fees and waiving of tipping fees for an established courtesy program. The department also lacks approved policies and procedures related to landfill access, lacks oversight and monitoring over landfill access and administration of the courtesy program, and is not compliant with various departmental policies and procedures.

Lack of oversight and monitoring processes over the waiving of fees and landfill access, could result in loss of revenues and abuse of the courtesy program. Additionally, the lack of approved policies and procedures results in a higher risk that the County will be exposed to compliance risks.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of landfill operations. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to review compliance with applicable Florida Statutes, Florida Administrative Codes, county ordinances, agreements, and policies and procedures related to the operations of the landfill.

Background

Sarasota County owns and operates the Central County Solid Waste Disposal Complex (CCSWDC), which is located in Nokomis, FL. The CCSWDC provides services for the collection of the following types of waste:

- residential and commercial garbage
- recyclable materials
- hazardous waste

The County has entered into a franchise agreement with Waste Management in order to provide residential and commercial garbage service to more than 150,000 residential units and 6,000 commercial customers. The CCSWDC accepts residential and commercial garbage from the unincorporated areas of Sarasota and from three municipalities (The City of North Port, City of Sarasota, and City of Venice). The franchise agreement is supported by non ad-valorem assessments on all real properties and it includes curbside collection of residential garbage, recyclable materials and yard waste. Items such as tires, motor oil, oil filters, bulk items, white goods and electronics can also be collected curbside.

Household hazardous waste is typically not collected curbside due to safety concerns and the cost of handling these items. However, residents and business owners of Sarasota County can take accepted items to one of the County's Chemical Collection Centers for safe disposal. Residents bringing items generated from non-business related activities are free of charge, while business related hazardous waste is charged a fee.

County Ordinance 2006-001 outlines the mandatory recycling requirements in the unincorporated portions of Sarasota County. Through the franchise agreement, Waste Management also collects residential recyclable materials at the curbside. Businesses that have recyclable materials will need to contract for services with a vendor of their choice and pay for that service directly to the vendor.

Objectives, Scope and Methodology

The objectives of this audit were to determine if the Department's operational processes are operating efficiently and effectively and if they are in compliance with relevant Accounting Policies and Procedures, departmental policies and procedures, as well as the following County Resolutions:

- Nos. 2014-161 and 2018-107, *CCSWDC Tipping Fees for Solid Waste, Yard Waste, Construction and Demolition Debris, Tires, Sludge, Friable Asbestos, and Waterways Dredge Material; Landfill Vehicle Weighing Fee*

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Inquiries of County personnel.
- Walkthrough of the landfill operational processes.
- Reviewed policies and procedures, and evaluated internal controls, related to:
 - Tipping Fees,
 - Voids and Hold Accounts,
 - Refunds,
 - Advanced Payment Accounts,
 - Scale Maintenance,
 - Vehicle Tare Weights,
 - 750 Accounts,
 - Operating Personnel,
 - Waste Records,
 - Control Access, and
 - Record Keeping and Retention
- Examined the following items:
 - A statistical random sample of 370 billed transactions between the dates of October 1, 2017 through September 30, 2018;
 - A statistical random sample of 288 billed transactions that were deleted from a hold status or voided between the dates of October 1, 2017 through September 30, 2018;
 - A population of five refunds completed between the dates of October 1, 2017 through September 30, 2018;

- A population of 16 Advanced Payment Accounts opened between the dates of October 1, 2017 through September 30, 2018;
 - A population of eight quarterly maintenance reports completed between the dates of October 1, 2017 through September 30, 2018;
 - A random sample of 100 trucks with access to the unattended gate as of April 4, 2019;
 - A statistical sample of 67 transactions associated with the 750 Account between the dates of October 1, 2017 through September 30, 2018;
 - A population of 24 training records for both County and contractor employees;
 - Monthly waste records between the dates of October 1, 2017 through September 30, 2018;
 - The four most recent Annual Waste Record Reports provided to the State of Florida;
 - A random sample of 114 individuals with access to the unattended gate as of April 4, 2019;
 - All transactions from a random sample of 10 dates selected between the dates of February 1, 2014 and March 26, 2014.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2130.A1) Adequacy and effectiveness of controls, particularly compliance with laws and policies and procedures and the reliability and integrity of financial and operation information.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were nine *Opportunities for Improvement* identified as a result of the audit:

1. **Hazardous Waste Rates and Fees**
2. **Courtesy Program Policies and Procedures**
3. **Approval of Courtesy Program for Residents**
4. **Policies and Procedures for Landfill Access**
5. **Monitoring Process for Physical Keys**
6. **Acknowledgement Forms**
7. **Compliance with Departmental Policies and Procedures**
8. **Advanced Payment Accounts**
9. **Compliance with Accounting Policies and Procedures**

1. Hazardous Waste Rates and Fees.

Observation

The BCC has the authority to levy and collect fees through Florida Statutes and has also been outlined within the Sarasota County Code. Florida Statute 125.01(1)(k) authorizes the BCC to provide and regulate waste collection and disposal. Florida statute 125.01(1)(t) authorizes the BCC to adopt ordinances and resolutions necessary for the exercise of its powers. Per the Sarasota County Code, section 106-40, the BCC has been authorized as the body to establish service charges, to levy, and collect rates and fees through approval of County resolutions.

During the review of the sampled weight tickets, the auditor determined that the County has established a price list that has not been presented to or approved by the BCC, for disposal of hazardous waste. When commercial hazardous waste is dropped off, there is a charge to dispose of the waste per the price list. However, when residential hazardous waste is dropped off, under most circumstances there will be no charge.

Recommendation

For services provided by the County for the collection of hazardous waste, for both residential and commercial customers, modify the rates and fee schedule to include these services and prepare a proposal to be presented to the BCC for approval.

Management Response

Sarasota County established a hazardous waste management program to reduce the toxicity of materials disposed of at the county landfill. Residential customers can dispose of hazardous waste materials at no charge to the customer and commercial hazardous waste customers pay a management and disposal fee at the Central County Landfill's Citizen's Convenience Center and the Bee Ridge Road Hazardous Waste Facility. Management will prepare and present for the Board's approval a rate resolution adjusting the Solid Waste tipping fee schedule to include commercial hazardous waste fees.

2. Courtesy Program Policies and Procedures.

Observation

Per the established departmental policies and procedures, the department has implemented a program as a courtesy to residents that allows for residents to drop off trash for no charge for various circumstances, like missing a trash pickup at their home. Residents are only allowed to use this program once. When a resident comes to the landfill and it is determined that this program will be used, the County verifies that the resident has never used the program before. The resident is then required to complete a Verification Form. The receipt is then attached to the completed form and is to be entered into a spreadsheet to be able to track residents that have used the program.

The auditor selected a statistical sample of 67 transactions out of a population of 81 transactions that were processed through the courtesy program during the audit period. During review of the sampled transactions it was determined that:

- Every sampled transaction lacked completed Verification Forms and copies of the receipts, and
- Management was unable to provide documentation of the spreadsheet that was to be used for tracking and monitoring residents that have previously used the courtesy program.

Recommendation

To reduce the risk of the courtesy program being abused, the department must ensure that:

- Established policies and procedures are followed,
- Required documentation is obtained for each transaction,
- Each transaction is routinely documented in a master spreadsheet, and
- Management regularly monitors the program for compliance and possible abuse.

Management Response

County residents occasionally bring solid waste to the landfill and are surprised to find they must pay a disposal fee. While many do provide payment, some cannot and rather than turn them away, the Division Manager established the 750 Account (Courtesy Program) allowing disposal fees to be charged to the Solid Waste Collection District rather than the resident on a limited basis. However, upon review by the Department, the 750 Account is only used by a handful of county residents each year except during the cleanup activities following Hurricane Irma. The small number of users does not justify the necessary tracking procedures and supporting documentation needed to continue use of the 750 Account and it will be discontinued at the end of FY2019.

3. Approval of Courtesy Program for Residents.

Observation

During discussion with management, it was determined that the courtesy program that was put into practice was never brought before the BCC for their review and approval. The Sarasota County Code, section 106-40 states that the BCC shall have the power to levy and collect rates or fees as required for the collection of residential waste, commercial waste and disaster debris within the County. The BCC may also adopt, by appropriate resolution the procedures to establish, adjust and approve any fees within the County.

Recommendation

To address the lack of BCC approval for the courtesy program, determine if the continued use of the courtesy program is a desired practice. If so, the department should present the program to the BCC for their approval.

Management Response

Management has reviewed the process and procedures necessary to continue to use the 750 Account (Courtesy Program). That review has led to the decision to discontinue the program at the end of FY2019.

4. Policies and Procedures for Landfill Access.

Observation

The landfill is enclosed by a physical fence with a primary gate that allows access to the facility between the hours of 6:30 am and 5:30 pm Monday through Friday and 6:30 am to 2:30 pm on Saturday. Additionally, there is an unattended lane that requires an access card or gate code in order to obtain access to the landfill. Typically, employees, contractors, and members of the RC fliers club are the only individuals that would be granted access to the landfill on a regular basis, either with a physical key and/or a gate access card or key. Residents that wish to visit the landfill to view wildlife and take photographs are provided a gate code that changes daily.

In order to obtain access to the landfill, the department uses acknowledgement forms for issuing gate access cards, gate codes, and physical keys to individuals that have a need to access the landfill. They have also developed a spreadsheet (key log) to track physical key inventory and the individuals of specific physical keys. However, the department lacks approved policies and procedures that outline the process for issuing, returning, tracking, and monitoring access to the landfill for gate access cards, gate codes, and physical keys.

Recommendation

To ensure proper physical access to the landfill, the department should develop policies and procedures that will, at a minimum, outline the process for:

- Issuing a gate access card, gate code, or physical key,
- Returning gate access cards and physical keys,
- Removing access rights for individuals with gate access cards and gate codes, and
- Tracking and monitoring individuals with access to the landfill.

Management Response

Management has revised the landfill access control procedures to address the following: means of access (card, code, key), return of access means from transferred and separated personnel, key re-issuance, removing access rights when warranted and personal responsibility for lost or unreturned cards or keys. Additionally, the Division's Business Manager will be enacting an improved monthly compliance and monitoring system for tracking individual cards and keys and tracking those who have accessed the site.

5. Monitoring Process for Physical Keys.

Observation

When an employee or contractor needs to obtain access to the landfill facilities and/or needs to access the facilities after normal operating hours, they are required to complete an acknowledgement form. The acknowledgment form for issuing physical keys collects the key name and number being issued, individuals name, company name, and date. The form also includes a statement that the individual is required to sign to acknowledge receipt of the keys and that the keys are not to be loaned, transferred, misused, modified, or copied. The department has developed a spreadsheet (key log) to track physical key inventory so that they know who the custodian of each key is.

During review of the signed acknowledgement forms for physical keys and the department's key log for monitoring physical key access, the auditor identified the following issues:

- 31 of the 32 individuals listed as custodians on the key log did not have an authorization form on file,
- 11 of the 20 authorization forms on file did not indicate which key was being issued,
- Three keys listed in the key log were issued to two individuals that no longer work for the County and management was unable to determine if one of the three keys were returned to inventory or re-issued,
- Two keys were not issued to individuals, but rather to a company, and
- The authorization forms do not require relevant contact information to be obtained, such as a phone number and/or email address,

Although the department has mechanisms in place for issuing physical keys and tracking those custodians, they have not maintained the key log and do not appear to be actively monitoring the inventory of physical keys. Additionally, the department does not consistently utilize the authorization forms when providing keys to employees. After interviewing staff, it was determined there have been instances where keys are received by the previous employee and given to the new employee that is taking over the previous employees responsibilities without completing an authorization form.

Recommendation

To ensure physical key inventory is appropriately controlled, the process of issuing and returning keys should be enhanced. Additionally, the department should ensure that physical key inventory is being tracked and routinely monitored. Enhanced procedures should require that the department:

- Perform and document an inventory of all physical keys and the respective custodian of the keys,
- Mark each physical key so that they are unique,
- Enhance the authorization form to include fields for additional contact information such as a phone number and/or email address,
- Enhance the authorization form to include fields for documenting the date the key was returned, who received the key, and if the key log was updated,
- Obtain completed authorization forms for all keys currently issued, and
- Update the key log based on the performance of the inventory of all physical keys.

Management Response

Based on audit's recommendation, management will re-key the Bee Ridge Chemical Collection Facility as well as the five County buildings located at the Central County Landfill by March 31, 2020 and immediately thereafter institute a revised key log policy to be implemented by a key custodian. This key log policy includes revised authorization forms with numbered keys corresponding with contact information for the custodian of each numbered key. At the conclusion of an employee's tenure or as a result of a role change, that individual will return the key and complete a key log return acknowledgement. The key custodian will monitor the issuance and return of the keys and will be responsible for maintaining compliance with procedures. The Division Manager will meet with the key custodian to review the program annually.

6. Acknowledgement Forms.

Observation

When an individual needs to obtain access to the unattended gate entrance at the landfill, they are required to complete an acknowledgement form. The acknowledgement form for issuing electronic codes and gate access cards collects basic information like the gate code number, access card number, individuals name, address, company name, printed name, signature, and date. The form also includes a statement that they agree to comply with the Site Access Rules, that the card shall not be used by anyone else, that lost or damaged cards cost \$5.00 to replace, and that access cards shall be returned when they no longer require access to the site. On the back of the form the Site Access Rules are provided and require the individual to initial that they read and agree to follow the rules. Once the form is completed the County approves the form and lists the number of the access card or the electronic code on the form.

Additionally, for members of the RC fliers club that are seeking access to the landfill, the County will verify their membership status through the club's website. The website database states the members name, their spouse's name, and the date their membership is set to expire.

The auditor obtained a population of 166 individuals that were granted access to the unattended gate entrance to the landfill as of April 4, 2019. A random sample of 114 was selected and reviewed. During review the auditor identified the following items:

- Four individuals did not have completed and signed acknowledgement forms on file,
- One individual's acknowledgement form lacked County approval and the gate access card or number was not listed on the form,
- One individual's acknowledgement form was not initialed to indicate acknowledgement of the Site Access Rules, and
- One individual was granted access, but upon review of the membership listing, the person was not listed as the spouse of the member.

Recommendation

To ensure adequate oversight of access to the unattended gate entrance at the landfill, anyone requesting access should complete and sign an acknowledgement form. If the request is made by a member of the RC Fliers club, then the County should verify that they are a current member per the club's membership database. The County should also review each form to ensure it is complete.

Management Response

The Landfill Operations Manager or their designee approves all site access requests. Staff has not always provided an acknowledgement form to be completed by the requestor nor have they always verified the form is completed correctly before issuing an access card. Therefore, staff will be provided additional training to ensure compliance with established procedures including those specific to members of the RC Fliers club, who lease part of the property. All current RC Fliers club members will be required to verify their membership status and have their card number verified annually. Membership status will also be confirmed prior to issuance of an access card to new club members and when corrections or replacement cards are required. The Landfill Operations Manager or their designee will monitor the program for accuracy and compliance.

7. Compliance with Departmental Policies and Procedures.

Observation

In order for someone to dispose of waste at the landfill, they are required to pull up to the scale house, inform the attendant the materials being disposed of, provide their driver's license, and obtain a weight of their vehicle. The attendant will then create a ticket which is placed into a "hold" status. This designation indicates that the transaction has been created and is being held until the person returns to weigh out and pay. The attendant will then direct the person to the correct area of the landfill for disposal. During the course of business it is sometimes necessary for the attendants to delete tickets from the hold status or to void transactions that are completed and processed.

The department has policies and procedures in place for deleting transactions from a hold status and for processing voids. The policies and procedures require that only a Financial Specialist II or Supervisor deleted a ticket from hold and/or void a transaction. Hold tickets should only be deleted when the wrong account was used, the wrong material was entered, or the truck did not dump at the landfill. The reason for not dumping must also be provided. Completed tickets should only be voided when a correction must be made and there is no other way to correct it or when a ticket has been duplicated. Departmental policies and procedures requires that employees cannot void or delete from hold tickets that they previously entered and that a new ticket's transaction number be added to the previously voided ticket when a new ticket is created.

During review of the 288 deleted from hold and void tickets in the statistical sample, the auditor identified:

- 69 instances where the person that created the ticket also deleted or voided the same ticket, and
- 21 instances where the transaction was voided and the other transaction number was not included.

Recommendation

To ensure compliance with department policies and procedures and maintain appropriate segregation of duties:

- employees should not delete or void tickets they previously entered,
- voided tickets should include the new transaction number when a new ticket is created, and
- only Financial Specialist II or Supervisors should be allowed to delete a ticket from hold or void a transaction.

Management Response

Scale software has been rewritten to eliminate the ability for scale staff to void their own tickets. They will also receive updated training related to voiding tickets and will be required to acknowledge their understanding of the updated process in writing. The Scale Supervisor or their designee will review any voided scale transactions monthly to ensure procedural compliance.

8. Advanced Payment Accounts.

Observation

The County created a program allowing frequent customers the option to setup an Advanced Payment Account (APA) for the exclusive use of disposing solid waste at the CCSWDC. An APA is defined as a prepaid 'deposit' account that allows any person (business proprietor, corporation, or individual) that desires to have an alternative method of paying for solid waste disposal fees. APA customer's elect to make a deposit into an account that is used exclusively for their use at the CCSWDC. The minimum deposit amount is \$500; however, it is suggested that the deposit amount be equal to the expected usage over a thirty day period. The customer is solely responsible for maintaining a sufficient minimum available balance for any disposal fees at time of entry and at no time is an account allowed to carry a negative balance.

The auditor obtained and reviewed the APA guidelines and obtained a list of new accounts opened during the audit period. Each completed application was reviewed for each of the 16 accounts opened during this period. During testing, the auditor identified two applications that lacked a place on the form for a signature and they were not signed.

Recommendation

To ensure that all customers wishing to set up an Advanced Payment Account agrees to the terms of the agreement, the County should require that each agreement be signed by the customer. Additionally, the applications for all active Advanced Payment Accounts should be reviewed and if applications are found to lack appropriate signatures, new agreements should be entered into with those account holders.

Management Response

Management has completed a revision of the agreement form to combine the Advanced Payment Account (APA) Terms and General Information on a single, two-sided form. Both sides require the customer's signature acknowledging the information. On July 15, 2019, the revised form was mailed to all APA holders asking them to complete the new form, sign it, and return it by August 15th so that we can update our records. Any Advanced Payment Account that does not have a completed form on file by September 15, 2019 will be suspended until a completed form is received and verified. The Solid Waste billing clerk will endeavor to contact any non-responsive account holders during the August 15th – September 15th period to advise them of the need to complete the form. The Division's Business Manager or their designee will conduct monthly compliance monitoring for all Advanced Payment Accounts.

9. Compliance with Accounting Policies and Procedures.

Observation

A customer with an Advanced Payment Account may request a refund of any unused portion of their account. The request is subject to review by Solid Waste staff and must meet approval guidelines outlined within the Accounting Policies and Procedures. Chapter 9.8 of the Accounting Policies and Procedures states that *"Credit card payments must be refunded to the same credit card through credit card process."*

The auditor obtained and reviewed the APA guidelines and obtained a list of new accounts opened during the audit period. Each deposit and refunded deposits were reviewed for each of the 16 accounts opened during this period. During testing, the auditor observed three accounts that were closed and a subsequent refund was issued. For each of the three accounts, a deposit was collected via a credit card, a request was made to close the account and refund the balance, the request was approved by two Solid Waste staff and a refund was issued via a check.

Recommendation

To ensure compliance with Chapter 9.8 of the Accounting Policies and Procedures, deposits made via credit card should only be refunded via the credit card that was used to make the deposit.

Management Response

Management will ensure compliance with Chapter 9.8 of the Accounting Policies and Procedures related to credits issued to Advanced Payment Accounts opened using a credit card. The Solid Waste Business Manager or their designee will ensure compliance with the established policy.

