

Neil Kelly
Clerk of the Circuit and County Court
Lake County, Florida

Audit of Hauler Billings

Division of Inspector General **Audit Report**

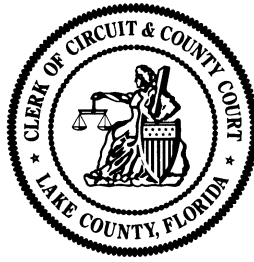
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Clerk of the Circuit Court

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February 19, 2014

Honorable Members of the Board of County Commissioners

We have conducted an audit of the Hauler Billings managed by the Solid Waste Division of the Public Works Department of the Lake County Board of County Commissioners, as scheduled per our Annual Audit Plan.

We appreciate the cooperation and assistance provided by the Public Works Department and also other local county and governmental entities contacted during the course of our audit.

Respectfully Submitted,

Bob Melton

Bob Melton, CPA, CIA, CFE, CIG
Inspector General

BM/ag

cc: Honorable Neil Kelly, Clerk of Circuit & County Court
David Heath, County Manager
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Skip McCall, Solid Waste Division Manager

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EXECUTIVE SUMMARY

We have conducted an audit of the Hauler Billings managed by the Solid Waste Division, as scheduled per our Annual Audit Plan. Our objectives were to determine the accuracy of hauler billings, and to determine the reasonableness of the solid waste assessment. Except for needed improvements as noted in this report, we conclude that hauler billings are accurate and the solid waste assessment is reasonable. Opportunities for improvement are included in this report. The assessment charged to residents is in accordance with Lake County Code.

Administration of the solid waste assessment could be improved. The method specified in the County Code to be used frequently does not reflect the actual services to be received. A benefit is not realized until a Certificate of Occupancy (CO) is issued and solid waste services begin. We sampled 230 new home permits issued from October 1, 2011 through March 26, 2013 and found that 67% of the sampled items were charged an assessment either before or after the CO date. In our sample, 40 percent of newly-constructed homes were assessed collection fees prior to the CO being issued. While payers are entitled to a refund of these amounts, management does not proactively issue refunds for overpayments; instead, the current process is to issue a refund only when formally requested. We noted that the number of months charged for the initial solid waste assessment may be longer than necessary (although in accordance with Lake County Code). The initial assessment includes an additional assessment for a full fiscal year beyond the current year, except when the permit is issued in June. Within our sample, 205 out of 230 permits, more than 89%, were assessed solid waste services for the current year plus the next fiscal year, totaling \$37,720.

The number used to measure the annual tons of waste per household (which is a factor in determining the amount of the assessment to each household) is not the actual waste per household for unincorporated Lake County. In addition, it is out-of-date and is based on all residents, instead of just unincorporated residents. The current number being used by the division, 1.3 tons, comes from the Solid Waste Management in Florida 2009 Annual Report produced by the Florida Department of Environmental Protection. We calculated the annual tons per household for unincorporated residents using the actual tons collected for the calendar year 2012 and the average number of unincorporated residents for the same period and found that the actual amount of tons per household was 0.85 tons, instead of the 1.3 tons being used by the division.

The current assessment charged to unincorporated residents is \$184 a year, unchanged since 2009. According to division staff, it includes components intended to recover the costs of collection, disposal and administration of the assessment. The components of the solid waste assessment should be re-evaluated. Because the number of tons per household is inaccurate as discussed above, the amount assessed to residents for disposal services is also inaccurate. The current amount charged for disposal services component is \$52.00; however, we calculated that the actual disposal cost per household in calendar year 2012 was \$34.11. The amount recovered relating to the component of the assessment

for the cost of collection is insufficient. The current amount recovered is \$120.50, but we calculated the actual cost for calendar year 2012 as \$135.93. The third component of the assessment, administrative costs, should also be reviewed. According to division staff, the amount recovered as an administrative fee since 2009 is a fixed amount of \$11.50 per household. We have estimated the actual administrative cost is \$10.76 per household. The current collection and disposal contracts include twice a week pick-up service and expire in September 2014. The Board of County Commissioners approved four successor solid waste contracts on August 13, 2013; three of the contracts are for collection services, one for each service area, and one disposal contract to a vendor that will be using its own landfill.

Residents that dispose their solid waste at the landfill are not charged a tipping fee. Management's rationale for this practice is that they are already paying the solid waste assessment which includes a component for disposal costs. However, it is likely that many unincorporated residents do not use the landfill, and the division does not have a process in place to identify how the waste delivered to the landfill was actually generated (anyone that pays an assessment can dispose for free regardless of how or where the waste was generated). We reviewed the fee schedules for several other counties and found that most charge at least a minimum fee for access. The cost incorporated into the assessment for disposal should only be based on what is collected by the haulers, and the cost of disposal at the landfill should be charged to all who access it. Residential disposal at the landfill should not be subsidized by other funding sources.

We also noted opportunities for improvement relating to accuracy of assessments and the need to review the costs for tax collection services. Our report contains a total of 16 recommendations for improvement.

INTRODUCTION

Scope and Methodology

We have conducted an audit of the Hauler Billings managed by the Solid Waste Division, as scheduled per our Annual Audit Plan. Our objectives were to:

1. Determine the accuracy of hauler billings.
2. Determine the reasonableness of the solid waste assessment.

To determine the accuracy of the hauler billings we observed processes for creating the invoices, interviewed management, inspected documents and sampled transactions relating to billings and timeliness of service notifications.

To determine the reasonableness of the solid waste assessment we reviewed related laws, contracts, and procedures, observed processes for updating source data, interviewed management and other entities, analyzed relevant records and cost data and sampled transactions of permits issued.

Our audit included such tests of records and other auditing procedures as we considered necessary in the circumstances. The audit period was October 1, 2011 through February 28, 2013. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Except for needed improvements as noted in this report, we conclude that hauler billings are accurate and the solid waste assessment is reasonable. Opportunities for improvement are included in this report.

Background

The Solid Waste Division was established to fulfill the requirements of state law. Section 403.706(1), Florida Statutes, states: "The governing body of a county has the responsibility and power to provide for the operation of solid waste disposal facilities to meet the needs of all incorporated and unincorporated areas of the county." Section 403.7049(2)(b), Florida Statutes, provides that,

“Counties and municipalities are encouraged to operate their solid waste management systems through use of an enterprise fund” and further encourages counties and municipalities to charge fees for collection and disposal services provided to residential and nonresidential users.

The Solid Waste Division is aligned within the Public Works Department. The division has 43 employees handling its solid waste operations and hazardous waste collection and recycling. Solid Waste Operations is responsible for managing the waste generated in Lake County. The services it provides to the residents in unincorporated Lake County include curbside collection of household garbage and recycling, as well as access to six drop-off facilities. Residents may also bring their waste and recycling to the County landfill for disposal, free of charge.

Lake County has contracted with private businesses to provide residents with collection and disposal services. For the collection of curbside trash and recycling, the County has three exclusive franchise areas and has contracts with Waste Services of Florida, Inc. and Waste Management, Inc. of Florida. For calendar year 2012, the County paid \$9,116,486 for residential collection services to the haulers, accounting for 64,967 tons of solid waste. The County currently disposes of solid waste through the use of its own landfill and a resource recovery facility through a contract with Covanta Lake II, Inc. New contracts have recently been awarded and will take effect October 1, 2014.

All unincorporated residents must pay the County for solid waste collection, disposal and administrative costs through a special assessment, which is included on their real estate property tax bill. The current annual assessment is \$184, unchanged since 2009. According to the Office of the Tax Collector, for fiscal year 2012/2013, 64,853 properties were billed a special assessment and \$11,363,656 had been collected as of May 20, 2013.

OPPORTUNITIES FOR IMPROVEMENT

Our report disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Administration of the Solid Waste Assessment Could Be Improved.

We reviewed the processes surrounding the administration of the solid waste special assessment including the timeliness and accuracy of the amounts charged and method of billing residents. We noted the following concerns:

- A. The initial assessment charged to residents is in accordance with Lake County Code; however, the specified method to be used frequently does not reflect the actual services to be received. In fact, a benefit is not realized until a Certificate of Occupancy (CO) is issued and solid waste services begin. We sampled 230 new home permits issued from October 1, 2011 through March 26, 2013 and found that 67% of the sampled items were charged an assessment either before or after the CO date.

At the time a new home permit is issued, the property owner must pay an initial solid waste assessment to cover the time that passes until the assessment is included on the owner's property tax bill. In accordance with Lake County Code Section 21-148, it is calculated from the fifth month after the permit date through the following fiscal year. Solid Waste Division staff stated that four months was the average number of whole months that passes before a CO is issued. For example, when calculating the initial assessment, if a permit is issued on March 1, 2013, the property owner would be charged an assessment at a rate for 15 months, including July 2013 through September 2014.

The following table depicts the results of our testing. The first column of the table indicates the number of months that passed from the date the permit was issued to the date the CO was issued, including all COs issued through April 30, 2013; the second column represents the number of permits within our sample that correspond to the number of months that lapsed.

Number of Months Since CO Date or 04/30/13	Number of Related Permits
1	1
2	5
3	55
4	77
5	49
6	14
7	9
8	5
9	2
10	4
11	2
12	2
13	2
14	1
17	1
19	1
Total Permits in Sample	230

The results shown in the table illustrate that 27% (61/230) of the COs were issued before the assessment started, resulting in an underpayment of solid waste services. Only 33% (77/230) of the COs were issued in the 4th month. However, the remaining 40% (92/230) of the COs were issued after the 4th month and were assessed a fee for a number of months when no services were received. We also surveyed other entities to identify when they charge an initial assessment and found that four out of five of them make the assessment at the time the CO is issued.

Under the current policy, there are two resulting circumstances that occur. An assessment is charged to the owner for removal of solid waste even though a CO may not have been issued and services have not begun, resulting in an overpayment. The other situation occurs when a CO may have been issued and benefits were provided, but the assessment was calculated based on a later date, resulting in an underpayment.

- B. Management does not proactively issue refunds for overpayments. Lake County Code states that the imposition of the assessment is to allocate solid waste system costs attributable to each parcel; however, the current process is to issue a refund only when formally requested.

We calculated that within our sample of 230 new home permits, 92 overpayments totaling \$1,410 are due to residents if the division was proactive in issuing refunds. We also confirmed that no refunds were issued during this time. When this calculation is projected to the population, the

result is \$3,526 in refunds due. According to the Code, a resident should not be funding the County's solid waste program beyond what is attributable to its property. Also, the division should not retain and subsequently spend monies that have not been earned.

- C. During our testing, we also found that inaccurate assessments are sometimes charged at the time a permit is issued. Within our sample, 22 out of 230, or 9.6%, new home permits issued were assessed the wrong amount and corresponding number of months.

The current policy for calculating the number of months to initially assess a new home is to count from the fifth whole month through the end of the current fiscal year plus the next entire fiscal year. The Solid Waste Division has prepared and provided the Permit Division staff an assessment schedule reflecting the amount it should collect dependent on the month that a permit is issued. The following information is an excerpt of the schedule:

SOLID WASTE ASSESSMENT		
EFFECTIVE OCTOBER 1, 2012, FOR THE FISCAL YEAR 10/1/12 - 9/30/13		
FACTOR TABLE FOR RESIDENTIAL RATES ONLY		
	BASE RATE \$184.00/YEAR	
<u>PULL A PERMIT IN</u>	<u>Pay Range Period</u>	<u>Amount</u>
October 2012	February 2013 - September 2014	\$ 306.73
November 2012	March 2013 - September 2014	\$ 291.33
December 2012	April 2013 - September 2014	\$ 276.00
January 2013	May 2013 - September 2014	\$ 260.67
February 2013	June 2013 - September 2014	\$ 245.33
March 2013	July 2013 - September 2014	\$ 230.00
April 2013	August 2013 - September 2014	\$ 214.67
May 2013	September 2013 - September 2014	\$ 199.33
June 2013	October 2013 - September 2014	\$ 184.00
July 2013	November 2013 - September 2015	\$ 352.67
August 2013	December 2013 - September 2015	\$ 337.33
September 2013	January 2014 - September 2015	\$ 322.00

Although the schedule is for fiscal year 2012/2013, it can be referenced in any year that the approved annual assessment is \$184, which has not changed since 2009. According to the schedule, if a permit is issued in October, the Permit Division staff should charge a property owner an initial solid waste assessment in the amount of \$306.73 for a period of 20 months. However, we found 22 instances in our sample where the wrong amount was charged. For example, one instance included a permit issued on February 1, 2013 where the amount assessed was \$260.67; however, the schedule indicates that the amount should have been \$245.33. In another instance, only \$1 was assessed to the property owner; we confirmed with the Solid Waste Division staff that the remaining amount was not collected. We also found two other errors where both permits were issued in February 2012, but one was assessed \$260.67 and the other \$230.00; neither amount charged was in alignment with the scheduled amount of \$245.33.

As a result, we calculated that payments due to the County totaled \$642.98 (4 errors) and refunds due to property owners totaled \$276.27 (18 errors). We projected that refunds due based on the dollar population of 688 permits totaled \$817.68, equating to 54 errors.

- D. Although in accordance with Lake County Code, the number of months charged for the initial solid waste assessment is longer than may be necessary. It includes an additional assessment for a full fiscal year beyond the current year, except when the permit is issued in June. Within our sample, 205 out of 230 permits, more than 89%, were assessed solid waste services for the current year plus the next fiscal year, totaling \$37,720. We surveyed five other entities and learned that none of them charge an initial assessment beyond the current year. Also, we inquired with County Finance staff and learned that all monies received are posted to the accounting system as revenue; none of the assessment is deferred to the next year.

Management stated that the rationale for assessing an additional year was to avoid having to invoice those property owners that are issued a CO after the assessment roll is provided to the Tax Collector in July. For example, if a CO is issued in August, it is too late to include an assessment on the property tax bill for the fiscal year beginning in October. However, we found that some property owners are paying for more than a year of services in advance, without even receiving a CO; in fact, one permit in our sample issued on November 1, 2012, had not been issued a CO as of April 30, 2013, even though an assessment was charged and no services had been received. Also, these future assessments are charged based on an assessment rate that has not yet been approved by the Board of County Commissioners for that fiscal year.

- E. The solid waste assessment does not correlate with the property tax year. Instead, it is based on a fiscal year calculation and added to the property tax bill, which is based on a calendar year. For example, a permit issued in June 2013 would be initially assessed through September 2014; it would then be included on the property tax bill for the calendar year 2015. Also, a description of the real estate taxes on the Tax Collector's website states that, "Collection of the real estate taxes and non-ad valorem special assessments begins November 1st for the tax year January through December." While this statement is true for the real estate taxes included on the bill, it is not true with regard to the special assessment; there is no matching of the billing's period of coverage. Additionally, because property owners have the option to pay anytime between October and March, services are being provided well in advance of the payment received. If the special assessment were based on a calendar year, there would be a matching of the billing period and the monies collected would be closer to the timing of the payments received.

We Recommend management:

- A. Review the methodology to calculate the assessment to more closely match the services to be received by the residents and initiate appropriate revisions in the Lake County Code.
- B. Implement a process to determine whether homeowners are due a refund at the time a CO is issued and to proactively issue refunds when identified.

- C. 1. Instruct the Permit Division staff to charge an assessment for new home permits in accordance with the assessment schedule provided by Solid Waste Division staff.

2. Implement a process to review the amounts initially assessed to determine that the correct amount was charged.
- D. Charge the initial assessment based on the current year.
- E. Consider charging the special assessment based on a calendar year.

Management Response:

- A. Current Chapter 21 procedures are being followed. Management is currently reviewing Chapter 21 in conjunction with the new collection and disposal contracts effective October 2014. This recommendation will be evaluated and any necessary revisions to the system will be taken into consideration.
- B. Current Chapter 21 procedures are being followed. Management is currently reviewing Chapter 21 in conjunction with the new collection and disposal contracts effective October 2014. This recommendation will be evaluated and any necessary revisions to the system will be taken into consideration.
- C. The Solid Waste Division concurs. As a result of this recommendation, Solid Waste staff met with the Permit Staff to ensure accuracy within the system. Fees are being charged in accordance with current permitting procedures and the Solid Waste fee schedule. However, an inconsistency was found between the time the customer was assigned the fees and the time the permit was issued. Solid Waste staff is now reviewing all permits when issued and making corrections to the fees as necessary. Also, as a result of this meeting, a procedure change is being made to allow the Solid Waste Staff to directly enter the Solid Waste fee.
- D. Current Chapter 21 procedures are being followed. Due to previous issues in regards to collecting fees at the time the CO is issued and in regards to invoicing, management is recommending that the procedures remain the same. In 1996, Chapter 21 was revised to charge the solid waste fee through the building permit process due to the inefficiency of collecting the interim solid waste assessment. However, the current policy will be reviewed to determine if the recommendation is cost feasible.

A refund policy is in place to accommodate citizens whose CO is not issued until after the 4 month grace period. Pursuant to the annual assessment resolutions, the rate is approved for each fiscal year "and for each fiscal year thereafter until discontinued for a year".

- E. Current Chapter 21 procedures are being followed. Management will review the recommendation and evaluate the impacts of charging the special assessment based on a calendar year.

2. Contractor Payments for New Resident Services Should Be Improved.

Payments to the solid waste haulers for new resident services are not timely. In fact, we determined that only 76 out of the 230 properties tested were paid to the haulers on time. Division staff sends the solid waste haulers a list of all the properties that should be provided collection services; it is updated regularly including additions and deletions as of the 25th of the month and is effective for the following month. The corresponding invoices are then prepared and sent, including the adjusted unit counts. For example, a property with a CO date of March 10, 2013 would be added to the list sent to the haulers on March 25, 2013 and included on the "March 2013" invoice.

To determine whether payments and notifications were timely, we compared the CO issue date to the first invoice month billed to the hauler and found the following:

Condition	# of Occurrences	Amount
On Time	76	
Not Applicable (CO not Issued as of 04/30/13)	70	
Not Paid	20	
Should Not Have Been Paid	4	
In Arrears	37	\$478.63
In Advance	<u>23</u>	\$688.82
Items Sampled	230	

This table illustrates that out of 230 properties sampled only 76 were on time, 20 had not yet been paid, 4 should not have been paid, 23 had been paid in advance and 37 were paid in arrears; the remaining properties were correctly not paid at the time of the testing. Also, in accordance with the current procedure of including additions and deletions through the 25th of the month, we found that only 73% (100/137) were determined to be on time. Division staff confirmed that adjustments are not made to the subsequent invoices for these errors.

Residents are entitled to receive solid waste services upon the issuance of a CO. It is important for division staff to provide the haulers with timely notification of when they should begin new resident services. Untimely notifications could result in residents not receiving benefits they have paid for or haulers not receiving payments that accurately reflect services provided. The inaccurate unit counts on the invoices result in over and under payments to the haulers.

We Recommend management ensure that the established procedure is consistently followed and the amounts paid to haulers correlate to the actual services provided.

Management Response: Management concurs. During the audit period, a policy change was made which gave the appearance that current procedures were not being followed. Prior to October 1, 2012, a unit was added to the hauler payments as soon as the charge on the building permit was implemented. In September 2012, it was determined that this procedure would allow haulers to be paid for vacant lots. As a result of this, the current policy is that a structure is not added to the hauler payment unit a CO is issued.

3. The Number Used to Measure Annual Tons per Household Should Be Reviewed.

The number used to measure the annual tons of waste per household is not the actual waste per household for unincorporated Lake County. It is out-of-date and is based on all residents, instead of just unincorporated residents. The current number being used by the division, 1.3 tons, comes from Table 1A of the Solid Waste Management in Florida 2009 Annual Report produced by the Florida Department of Environmental Protection. The information provided in Table 1A represents County Municipal Solid Waste Collection per Capita.

We calculated the annual tons per household for unincorporated residents using the actual tons collected for the calendar year 2012 and the average number of unincorporated residents for the same period and found that the actual amount of tons per household was 0.85 tons, instead of the 1.3 tons being used by the division.

Division staff uses the 1.3 tons per household in a variety of calculations, such as disposal billings to haulers for commercial waste, residential disposal-only services, and the disposal component of the solid waste special assessment. We question whether commercial customers dispose the same annual tons as a household would, particularly when a household can be as small as one or two people, and, therefore, we question whether the same measure should be used.

We Recommend management measure the tons per household using real and appropriate data such as a rolling average of the three previous years' tons collected for unincorporated residential households.

Management Response: Management concurs. Previously, the current number was based on Table 1A of the Solid Waste Management of the 2009 Annual Report produced by the Florida Department of Environmental Protection. Effective October 2014, staff will review the current calculation method each year to ensure the appropriate number will be used for the tons per household.

4. The Components of the Solid Waste Assessment Should Be Re-Evaluated.

We reviewed the components comprising the solid waste special assessment. The current assessment charged to unincorporated residents is \$184 a year, unchanged since 2009. According to division staff, it includes components intended to recover the costs of collection, disposal and administration of the

assessment. We examined each component separately to determine whether the charges were reasonable, complete and based on appropriate measures. The following describes our concerns:

- A. The amount recovered in the assessment for collection costs is insufficient. The current amount recovered is \$120.50, but we calculated the actual cost for calendar year 2012 as \$135.93. According to Florida Statute 403.7049, "Counties and municipalities are encouraged to operate their solid waste management systems through use of an enterprise fund." However, even though the solid waste collection contracts include an annual increase in the rate charged per resident, the assessment is not adjusted for the increase in costs. The result is that unincorporated residents are not paying the full cost of the collection benefits received.
- B. The method of calculating residential disposal services results in an overcharge of this component of the assessment (See Opportunity For Improvement No. 3). Because the number of tons per household is an inaccurate measure, the amount assessed to residents for disposal services is also inaccurate. The current amount charged for disposal services is \$52.00, calculated by multiplying the established tipping rate per ton by the annual tons per household ($\$40 \times 1.3$). We calculated that the actual disposal cost per household in calendar year 2012 was only \$34.11; this amount was based on the cost associated with what the haulers collected from unincorporated residents. As a result, unincorporated residents are being overcharged for disposal services. Although the division incurs other disposal costs, methods are not in place to clearly assign them to specific classes of residents. For example, residents are not charged for disposal at the landfill, discussed later in Opportunity for Improvement Number 6. The recovery of costs should not be based on an amount in excess of the actual costs.
- C. The amounts recovered as administrative costs in the assessment should be reviewed. According to division staff, the amount recovered as an administrative fee since 2009 is a fixed amount of \$11.50; the costs that comprise this fee are for the recovery of the Tax Collector fees, system software maintenance and assessment payment discounts taken by residents. We found that the amounts are not periodically reviewed, include some costs in excess and do not include other costs that should be considered. For example, the cost of staff time is not included, the cost attributable to the Tax Collector's fees should be reviewed for any changes because it is paid as a percentage of monies collected and the recovery of the billing discount should not be based on the full 4%; we calculated the average discount taken in fiscal year (FY) 2012 was 3.2%.

The following table further illustrates our analysis:

Description	Source Period	Auditor Calculated	Division Actual
Tax Collector Fees	FY 2012/2013	\$238,000.00	\$238,000.00
System Software Maintenance	FY 2012/2013	\$3,292.00	\$3,292.00
Discount Recovery	FY 2012/2013	\$125,755.30	\$454,546.24
Staff Salaries	As of 08/27/13	\$368,523.36	\$0.00
Estimated Annual Amount		\$735,570.66	\$695,838.24
Average Number of Units in 2012		64,697	64,697
Estimated Annual Cost Per Unit		\$11.37	\$10.76

Although the fee is \$11.50, we calculated the actual cost using management's inclusions and the average units assessed for 2012 to be \$10.76 for fiscal year 2012/2013; a difference of \$48,177 was collected in excess of the fee. When the discount recovery is changed to the actual 3.2% taken and the staff salaries are added, the administrative cost is \$11.37; a difference of \$8,444 would be collected in excess of the fee. Although the administrative cost per resident does not appear to be excessive, the total dollar amount collected includes some monies the division is not entitled to.

The current collection and disposal contracts include twice a week pick-up service and expire in September 2014. The Board of County Commissioners approved four successor solid waste contracts on August 13, 2013; three of the contracts are for collection services, one for each service area, and one disposal contract to a vendor that will be using its own landfill. The new collection contracts provide for once a week pick-up service with the exception of some communities opting for twice a week service at a higher rate.

The following analysis illustrates the effect on the components of the solid waste assessment:

Row	Contract, Area and Service Level	Collection Cost	Disposal Cost	Administrative Cost	Total Cost
1	Current, All Areas, 2x Week	\$120.50	\$52.00	\$11.50	\$184.00
2	Current, Area 1, 2x Week	\$145.14	\$34.11	\$11.50	\$190.75
3	Current, Area 2, 2x Week	\$133.15	\$34.11	\$11.50	\$178.76
4	Current, Area 3, 2x Week	\$146.52	\$34.11	\$11.50	\$192.13
5	New, Area 1, 2x Week	\$174.96	\$16.15	\$11.50	\$202.61
6	New, Area 2, 2x Week	\$172.80	\$15.15	\$11.50	\$200.45
7	New, Area 3, 2x Week	\$216.84	\$16.15	\$11.50	\$244.49
8	New, Area 1, 1x Week	\$145.44	\$16.15	\$11.50	\$173.09
9	New, Area 2, 1x Week	\$137.64	\$16.15	\$11.50	\$165.29
10	New, Area 3, 1x Week	\$158.88	\$16.15	\$11.50	\$186.53

The first row of the table represents the current assessment rate of \$184.00 and its components as they are now charged to residents. In rows 2-4, we re-calculated the current collection cost per service area based on the actual contract costs and average units assessed in 2012 and used the actual disposal cost per household discussed above in Opportunity for Improvement 4B. Rows 5-7 show the component costs of the new contracts at a service level of twice a week and rows 8-10 show the same contracts at a service level of once a week. Note that the new contract for disposal services does not include a cost for yard trash because it will be taken to the County's landfill.

The table clearly illustrates that the collection costs for each area are significantly higher than what is currently charged to residents in the solid waste assessment, even with a lower level of service. Also, notice that the disposal component for the new contract is more than three times lower than what is currently assessed for disposal services.

We Recommend management:

- A. 1. Ensure that it is recovering the cost for collection services provided to assessed residents.
- 2. Periodically re-evaluate the amount recovered for collection costs and adjust the solid waste assessment as needed.
- B. 1. Ensure that it is charging a correct amount to residents for disposal services; one that is based on appropriate measures and actual costs.

2. Periodically re-evaluate the amount charged for disposal costs and adjust the solid waste assessment as needed.

C. 1. Ensure that the components in the calculation of the administrative cost are reasonable.

2. Periodically review the amount recovered for administrative costs and adjust the solid waste assessment as needed.

Management Response:

A. Solid Waste staff recognizes the need to recover the actual cost for collection services and the need to adjust the solid waste assessment on a yearly basis. As of October 2014, the solid waste assessment will be adjusted based on the actual costs of collection, disposal, and administrative services.

B. Solid Waste staff recognizes the need to recover the actual cost for disposal services and the need to adjust the solid waste assessment on a yearly basis. As of October 2014, the 4 solid waste assessment will be adjusted based on the actual costs of collection, disposal, and administrative services.

C. Solid Waste staff recognizes the need to recover the actual cost for administrative costs and the need to adjust the solid waste assessment on a yearly basis. As of October 2014, the solid waste assessment will be adjusted based on the actual costs of collection, disposal, and administrative services.

5. The Amount Charged for Tax Collection Services Should Be Reviewed.

The amount paid to the Tax Collector for services rendered may or may not be in excess of actual cost. In accordance with Section 192.091 (2)(b), Florida Statutes, the current interlocal agreement between the Tax Collector and the County, established in 1991, for collection of the solid waste assessment states: "The County shall pay to Tax Collector for the administrative services provided, actual costs of collection, not to exceed two (2) percent, on the amount of special assessments collected and remitted." The Tax Collector remits all collections to the County and subsequently provides the County with an invoice for the 2% fee at the end of the year; \$237,723 was invoiced by the Tax Collector and paid by the County for fiscal year 2012/2013. The fee being paid is the maximum allowed under state law, and division staff does not review the actual costs incurred by the Tax Collector nor does County management have representation that this amount represents actual incremental cost. As a result, there is no assurance that the County is paying the appropriate amount.

It should be noted that the Tax Collector turns over all fees in excess of their costs to the County at the end of the year in accordance with Section 218.36, Florida Statutes, so that the overall effect to

the County is the same. However, in the event the amount charged is in excess of actual cost, the amount of the assessment to taxpayers could be incorrect.

We Recommend management review the amount of the fee paid to the Tax Collector to ensure it represents actual cost incurred, not to exceed two percent of the amount collected.

Management Response: Per the division's budget guidance, the Tax Collector fee does not exceed the 2% allowed by Florida State Statute. In addition, the Division is following the interlocal agreement which was approved by the Board of County Commissioners.

6. Residents Should Be Charged for Disposal Services at the Landfill.

Residents that dispose their solid waste at the landfill are not charged a tipping fee. Management's rationale for this practice is that they are already paying the solid waste assessment which includes a component for disposal costs. However, it is likely that many unincorporated residents do not use the landfill, and the division does not have a process in place to identify how the waste delivered to the landfill was actually generated (anyone that pays an assessment can dispose for free regardless of how or where the waste was generated). We reviewed the fee schedules for several other counties and found that most charge at least a minimum fee for access. The cost incorporated into the assessment for disposal should only be based on what is collected by the haulers, and the cost of disposal at the landfill should be charged to all who access it. Residential disposal at the landfill should not be subsidized by other funding sources.

We Recommend management cease its practice of subsidizing disposal services that occur at the landfill and instead consider charging all landfill customers regardless of whether they pay the assessment or not.

Management Response: Current Chapter 21 procedures are being followed. Charging landfill customers has the potential to promote illegal dumping throughout the County. Staff is planning on evaluating and discussing with the Board of County Commissioners in the coming months.