

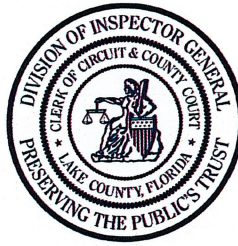
# Audit of Solid Waste Assessment

## **Division of Inspector General** **Neil Kelly, Clerk of the Circuit and County Courts** **Audit Report**

**Sheena Patel, CIA, CIGA**  
**Inspector General Manager**

Audit Conducted by:  
**Joey Flores**  
**Consultant**

**Report No. BCC-162**  
**June 21, 2018**



*Division of Inspector General  
Phone (352) 253-4930  
Fax (352) 742-4534*

*Clerk of the Circuit Court*

*Post Office Box 7800  
Tavares, Florida 32778-7800*

June 21, 2018

Board of County Commissioners

We conducted an audit of the Board of County Commissioners' Solid Waste Division's Non-Ad Valorem Assessment calculations and processes, as scheduled per the Clerk's Annual Inspector General Audit Plan.

We appreciate the cooperation and assistance provided by the Solid Waste Division and other local county and governmental entities contacted during the course of our audit.

Respectfully submitted,

Sheena Patel  
Inspector General Manager

cc: The Honorable Neil Kelly, Clerk of Circuit & County Courts  
Jeff Cole, County Manager  
Kristian Swenson, Assistant County Manager  
Mary Hamilton, Environmental Services Division Manager  
Danielle Spehar, Solid Waste Program Manager

**Know of Fraud, Waste, or Abuse?**  
Contact our hotline at (352) 742-4429 or  
email [fwa@lakecountyclerk.org](mailto:fwa@lakecountyclerk.org)

# TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>1</b>
Scope and Methodology .....	1
Overall Conclusion.....	2
Background.....	2
<b>OPPORTUNITIES FOR IMPROVEMENT .....</b>	<b>3</b>
1. Lake County Solid Waste Assessment Revenues Should Be Increased To Cover Expenses....	3
2. Policies And Procedures Should Reflect The Activity Being Performed.....	6
3. Lake County Should Assess Administrative Charges To Haulers. ....	6



# INTRODUCTION

## Scope and Methodology

We conducted an audit of the Solid Waste Division's Non-Ad Valorem Assessment (assessment) calculations and processes. Our audit objectives were to:

1. Determine the operational effectiveness of procedures and calculations utilized in the preparation of the recommended assessment amounts.
2. Determine the Division's compliance with existing policies, procedures, and hauler agreements.
3. Identify opportunities where fraud could occur.

To determine the operational effectiveness of procedures and calculations utilized in the preparation of the recommended solid waste assessment amounts, we interviewed Solid Waste Division management and staff; recalculated and evaluated completeness of budget preparation templates for Fiscal Year 2016 and Fiscal Year 2017; assessed the purpose, usage and functionality of key reports (i.e., Certificate of Occupancy Issued Reports, Building Permit Reports, and Add/Delete Reports); and tested the accuracy of the Consumer Price Index application for Fiscal Year 2016 and Fiscal Year 2017.

To determine the Division's compliance with existing policies, procedures and hauler agreements, we interviewed Solid Waste Division management and staff; reviewed the documented policies and procedures; and selected samples for testing various Solid Waste Division activities such as hauler administrative charges, hauler complaints logging, hauler collection plans, and hauler service logs.

To identify opportunities for fraud, we reviewed usage and user access based on job function of key operating systems (Special Assessment Module) and functions, reviewed existing controls over key processes and procedures, tested a sample of residents for accuracy of solid waste fees assessed, tested a sample of monthly hauler and disposal tonnage reconciliation reports, and tested a sample of monthly invoice reconciliations.

We were unable to perform procedures to validate the completeness of the data points, including the Property, Building, and Legal Description data, which rely on updates from the Property Appraiser database, as our scope was limited to activities of the Board of County Commissioners.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 1, 2015 through March 21, 2018. However, transactions, processes, and situations reviewed were not limited by the audit period.



# Overall Conclusion

We conclude that overall, except as noted in this report, the Solid Waste Division is effective in its operations and in compliance with existing policies, procedures, and hauler agreements. Opportunities for Improvement are included in this report.

## Background

The Lake County Solid Waste Division is pro-active in managing the waste generated in Lake County. From curbside waste disposal, to providing six drop off facilities, the Lake County “Waste Stream” is designed for ease of residential service and protection of the environment. Residents in unincorporated Lake County have residential curbside collection of household garbage and recycling, unlimited bulk pickup services, and drop-off service at convenience centers available to them. All residents in the unincorporated area must pay a non-ad valorem assessment for solid waste collection and disposal on their tax bill. A Lake County ordinance (No. 1988-14) dated October 11, 1988 establishes the imposition of non-ad valorem tax assessment “for payment of the County’s solid waste disposal system, including the facility.”

Residential trash collection in unincorporated Lake County offers residents “1-1-1” curbside collection, which consists of once-per-week trash pickup, once-per-week recycling, and once-per-week yard waste collection. A “2-1-1” collection, which includes twice-per-week trash pickup, is available in some areas for an additional fee. The program also provides homeowners with two county-issued roll carts at no cost: one 95-gallon cart for trash and one 65-gallon cart for recycling. Maintenance of the cart is also included at no additional cost. Homeowners can request a larger volume or quantity of carts for an additional fee.

Bulk pickup service is available for residents in the unincorporated area who pay for curbside collection service. This service is included with the collection fee paid with assessment funds. There is an unlimited amount of pickups per year. The items accepted are furniture, appliances, and other large household items that do not fit into the County issued garbage carts due to size, shape, or weight.

Any Lake County resident may dispose of items at the convenience centers located throughout the County. Household items brought for recycling are accepted at no charge.

Lake County has three exclusive franchise areas for curbside trash, recycling, and yard waste collection services in the unincorporated areas. Each area is serviced by a separate contracted hauler. The current haulers are WCA of Florida, Waste Connections of Florida (formerly Progressive Waste Solutions of FL), and Waste Pro of Florida.

# OPPORTUNITIES FOR IMPROVEMENT

Our audit 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. Lake County Solid Waste Assessment Revenues Should Be Increased To Cover Expenses.**

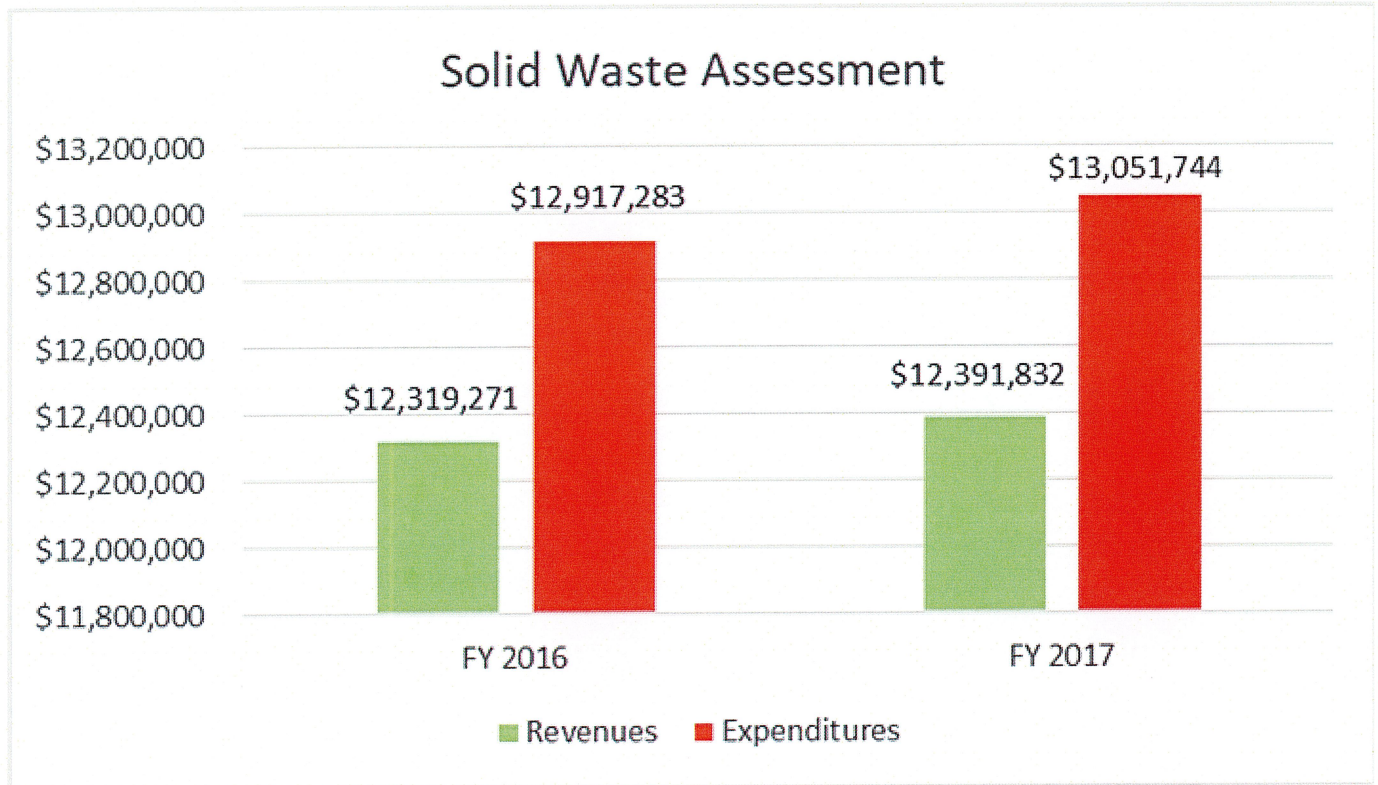
The Solid Waste Assessment revenues resulted in a deficit for Fiscal Year 2016 and Fiscal Year 2017. The Solid Waste Assessment, including other planned revenues, is intended to cover costs associated with operational functions including payments to haulers for collection of waste and payments to the landfill for disposal. Each year, collection and disposal pay rates are subject to an adjustment in cost based on changes in the Consumer Price Index (CPI).

Additional expenditures apply to the Solid Waste Assessment, a 2% administrative fee paid to the Lake County Tax Collector (Tax Collector) and 5% administrative fee paid into the Lake County general fund. The Tax Collector fee is paid as compensation for the collection of the annual non-ad valorem solid waste assessment from Lake County residents. The Lake County administrative fee is assessed by the County to cover various costs associated with administration activities performed by other departments including legal services, budget, human resources, etc. We did not perform an analysis to determine the reasonableness of the 5% administrative fee.

The Solid Waste Division uses a budgeting template, which includes collection and disposal fees as well as the Tax Collector and Lake County administrative fees for budget planning purposes.

We determined through inspection of financial records and account balance summaries that applicable revenues during Fiscal Year 2016 and Fiscal Year 2017 did not cover departmental expenses, as shown below.





Solid Waste Assessment Surplus/(Deficit) Recalculation			
	2016		2017
<b>Revenues</b>	\$	12,319,271.00	\$ 12,391,832.00
	\$	12,319,271.00	\$ 12,391,832.00
<b>Expenditures</b>	\$	12,017,945.00	\$ 12,166,172.00
<b>5% Admin Cost</b>			
<b>Total</b>	\$	659,086.00	\$ 643,432.00
<b>2% Tax Collector Fee</b>	\$	240,252.00	\$ 242,140.00
	\$	12,917,283.00	\$ 13,051,744.00
<b>Surplus / (Deficit)</b>	\$	(598,012.00)	\$ (659,912.00)
* Revenues include the Solid Waste assessment, commercial collection fees, and cart fees. * Expenditures include hauler fees, disposal fees, salaries and benefits, and other operational costs.			

In addition to operating in a deficit position for the prior two years, the Lake County annual assessment amounts for the once-per-week and twice-per-week frequencies have remained the same since 2014 and are as follows:

Collection Area	Once-Per-Week Collection	Twice-Per-Week Collection
Collection Area 1	\$176	\$222
Collection Area 2	\$168	\$207
Collection Area 3	\$189	\$231

While the Solid Waste Assessment amounts have remained the same, the contracted rates to the Contractors (Haulers and Disposal Facility) increased in Fiscal Year 2017 due to adjustments in the CPI. Under the contracts, the rates can be adjusted upward or downward based on the change in the CPI. A single adjustment to the rates cannot exceed 3% in a year.

Lake County Ordinance No. 1988-14 which establishes the imposition of the non-ad valorem tax assessment for solid waste states that, "The County shall in each year establish, levy and collect non-ad valorem assessments in an aggregate amount which is sufficient, together with (i) other charges for solid waste disposal imposed by the County...and (ii) other monies legally available...to pay the Waste Disposal Costs, and shall take or cause to be taken all actions necessary to ensure that such non-ad valorem assessments are so established, levied and collected." The ordinance further states that based on projected costs for the next ensuing year, "the County shall adopt a Resolution incorporating a projected schedule of Assessments to be imposed upon the owners of all Improved Real Property in the County...to provide the revenues to meet the Waste Disposal Costs projected for the next ensuing year." We noted that expenditures are consistent with ordinance requirements and related to the collection and disposal of waste.

Budget deficits can create a significant negative impact to the County by potentially using resources from other areas, reducing services provided to the citizens, limiting or hindering repair or replacement of equipment and materials, failing to meet adequate staffing levels, depleting reserve funds, and increasing safety risks to staff and citizens.

**We Recommend** management continue utilizing their budgeting template to project expenditures. Further, we recommend that management calculate a recommended assessment amount for each collection area as part of the budgeting process. Presenting accurate data and a recommended solid waste assessment rate to cover expenditures would further improve management's ability to make an informed decision relative to the solid waste assessment rates.

#### **Management Response:**

We concur with the recommendation. Solid Waste will continue to utilize current budgeting template. In addition, Solid Waste will annually look for improvements to the budgeting process to ensure accurate data is being used.



## 2. Policies And Procedures Should Reflect The Activity Being Performed.

Existing policies and procedures may not reflect activities being performed. The Solid Waste Division has documented policies and procedures in place for several processes, including:

- Updates to the Special Assessment Module
- Annual Rate Adjustments
- Tax Roll Certifications
- Customer List Updates
- Hauler Payments

There is no review process in place to ensure the accuracy of the documented procedures as they naturally change over time. Further, we were unable to obtain documented procedures for daily activities performed by the Solid Waste Financial Analyst, which should include detailed procedures over the budgeting process. Although a Budget Preparation Manual is provided by the Office of Management and Budget, the manual is not Solid Waste Division specific and only provides basic guidelines and due dates.

Written policies and procedures are an integral piece of each business process. The objective of policies and procedures is to document an organization's policy for operations and the procedures necessary to fulfill that policy. Policies and procedures provide guidance in achieving the organization's objectives, help reduce misunderstanding or inconsistencies in application of the policy, and increase distribution of pertinent information to those involved in the process.

**We Recommend** management establish a policy for periodic review and update of existing policies and procedures. In addition, management should identify other vital processes for which documented policies and procedures should be created. Policies and procedures should be reviewed at least annually to ensure they align with current practices.

### **Management Response:**

We concur with the recommendation. Solid Waste has SOPs for Assessment staff and the Financial Analyst in place. Solid Waste will conduct review annually, at a minimum, to ensure procedures are current and efficient.

## 3. Lake County Should Assess Administrative Charges To Haulers.

The contracts with the haulers for collection of solid waste, established in 2014, outline administrative charges that can be assessed to the haulers for various failures or actions including, but not limited to:

- Failure to collect waste and recycling
- Failure to clean up spilled liquids
- Mixing source separated recyclable materials with solid waste
- Failure to maintain collection vehicles

- Failure to respond to a legitimate complaint
- Failure to maintain records or provide documents
- Failure to timely file reports, plans, and documents
- Failure to dispose of waste in designated facilities

A specific fee schedule has been established for each incident type. Charges range from \$50 per incident to \$2,000 per day per incident based on the severity of the action.

Although the hauler contracts were established in 2014, the Solid Waste Division did not begin assessing administrative charges against the contracted Haulers until January 2018. There is potential for lost revenue as no penalties were assessed to the haulers prior to this. Per Division management, administrative charges were not assessed prior to January 2018 at the direction of the prior County Manager.

The total amount of administrative charges assessed to the haulers on the invoices for February 2018 was \$5,250 for various reasons, including late collections, chronic complaints, and late cart deliveries. We noted that one hauler was charged \$4,950, which was significantly higher than the charges assessed to the other haulers at \$200 and \$100, respectively.

Assessment of the administrative charges may provide additional revenues for the Division. Additionally, assessment of the administrative charges provides incentive for haulers to maintain compliance with the contract, which in turn reduces the public safety risk and potential cost to the County.

**We Recommend** management continue to document the causes for administrative charges and assess them accordingly.

**Management Response:**

Administrative charges were not previously assessed based on the direction of the prior County Manager. Staff received direction in 2017 from the new County Manager to begin in January 2018 assessing and collecting Administrative Charges against the haulers. We concur with the recommendation and will continue to follow the direction of the County Manager and the Board of County Commissioners.