

# COUNTY AUDIT DEPARTMENT

**REPORT # 334**

*An Audit of:*

## **RESIDENTIAL ROLL CART PROGRAM CONTRACT MANAGEMENT AND COMPLIANCE**

**SEPTEMBER 19, 2017**



*Pat Frank* INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA

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September 19, 2017

The Honorable Stacy R. White, Chairman  
The Honorable Victor D. Crist  
The Honorable Ken Hagan  
The Honorable Al Higginbotham  
The Honorable Pat Kemp  
The Honorable Lesley "Les" Miller, Jr.  
The Honorable Sandra L. Murman

Dear Chairman White and Commissioners:

The Audit Team performed an audit of the Residential Roll Cart Program (Audit Report # 334, September 19, 2017). Responses to the Audit Team's recommendations were received from the General Manager of Solid Waste Management and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Solid Waste Management during this audit.

Sincerely,

Heidi Pinner, CIA, CFE, CISA, CRMA  
Director of County Audit

CC: Mike Merrill, County Administrator  
Lucia Garsys, Chief Development & Infrastructure Administrator  
John Lyons, Director, Public Works  
Kimberly Byer, Solid Waste Division Director  
Kevin Brickey, Management & Budget Department  
Rick VanArsdall, Chief Deputy, Finance  
Tim Simon, Deputy Comptroller

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## EXECUTIVE SUMMARY

### BACKGROUND INFORMATION

Hillsborough County implemented an automated residential garbage and recyclables collection system across the county in 2013. The County's service area according to the Certificate of Non-Ad Valorem Assessment Roll is approximately two hundred and sixty thousand (260,000) households. The service area is divided into five (5) Franchise Districts of approximately fifty-two thousand (52,000) households each. Separate from the County's collection agreements, a competitive procurement was conducted for the distribution and management of the garbage and recyclables roll carts provided to each household in the unincorporated areas of the county.

This automated Residential Roll Cart Program Agreement including modifications (also referred herein as the "Agreement") was awarded to Cascade Engineering, Inc. in the amount of \$10,598,242.04 for Service Area A (District #1 and #3) and to Schaefer Systems International, Inc. in the amount of \$16,214,095.37 for Service Area B & C (District #2, #4 and #5). This represents a total award of \$26,812,337.41 for the Agreement as of November 2015 which includes the production, assembly, distribution and asset management of residential garbage and recycling roll carts.

### OBJECTIVE

The objective of the audit was to determine whether or not the Solid Waste Management Division (Solid Waste) has controls in place to ensure that the Residential Roll Cart Program is implemented, adequately monitored, and in compliance with the terms of the Agreement.

### SCOPE

The audit was conducted in conformance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The audit scope includes the transactions and monitoring activities associated with the Residential Roll Cart Program from August 2013 through April 2017.

## OVERALL EVALUATION

The employees of Solid Waste were responsive to the Audit Team's inquiries and provided the information requested in a timely and polite manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

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2	An opportunity exists to strengthen the controls around the invoice payment process.	5

## OPINION

The overall control environment relative to the management of the Agreement is at a formal (defined) maturity level. This means that management has developed processes and controls which reasonably ensure the vendor's performance and billings are in compliance with the terms of the Agreement. Some monitoring and invoice payment exceptions were observed and opportunities were identified to strengthen the controls over the tracking of roll cart movement as well as the payment process of vendor invoices as required by the Agreement. Addressing these opportunities will enhance the overall control structure and provide additional assurance and monitoring.

The exit conference was held on August 8, 2017.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

## AUDITED BY

Heidi Pinner, CIA, CFE, CISA, CRMA, Director of County Audit  
 Margaret Brown, CIA, Audit Manager  
 Raul Cardona, CIA, CISA, CAMS, Senior Internal Auditor  
 Terrell Alston, Internal Auditor II

## AUDIT COMMENTS & RECOMMENDATIONS

### AUDIT COMMENT 1

#### **Opportunities exist to enhance controls over the roll cart monitoring process.**

The objective was to determine whether or not roll cart monitoring activities are being performed in compliance with the terms and conditions stated in the Agreement.

During the initial phase of the Roll Cart Program, August 2013 to October 2013, vendors Cascade Engineering and Schaefer Systems International were in charge of the production, assembly, distribution and asset management of the roll carts. These two vendors remain responsible for the production and assembly of all roll carts for the County. However, as of January 2014, the responsibility for delivery and monitoring of the roll carts was transferred to the haulers in each respective district.

On a weekly basis, haulers serving each of the 5 county districts provide Solid Waste a report containing all roll cart deliveries and monitoring data. These reports include information on cart location, cart types, routes, customer requests, resolution times and folio numbers.

To determine whether or not this monitoring data was received, properly maintained and monitored, the Audit Team:

- Obtained and reviewed the initial roll cart deployment data from Cascade Engineering and Schaefer Systems International to ensure that the original tracking and monitoring activities were performed in compliance with the Agreement.
- Judgmentally selected a sample of 30 weekly monitoring reports from each hauler to determine whether the information was sufficient, properly documented and maintained in compliance with the Agreement.

#### **Results of Testing**

- Initial deployment data contained sufficient information related to preliminary delivery of roll carts, documentation was properly maintained by Solid Waste, and there was evidence of adequate monitoring of deployment activities.
- Twenty eight out of 30 (93%) weekly monitoring reports selected were properly documented and maintained. The weekly reports for the first two dates selected in the sample (7%) could not be obtained. Per Solid Waste management, it took the haulers a couple of months to establish related monitoring controls and reports. The Audit Team reviewed invoice activity for this gap and observed that the roll cart volume and activity was consistent with subsequent monitored months.

- Solid Waste relies on the haulers to track and maintain data on the roll cart activity throughout the county. Per management, this data is at times limited or inaccessible. This creates issues when addressing customer inquiries or complaints. While Solid Waste does compare the information received from the haulers to their own records, they also have a limited ability to ensure that the information being received is completely accurate.

**RECOMMENDATION**

To enhance roll cart monitoring controls and ensure compliance with the terms of the Agreement, management should consider:

- Performing an impact analysis to quantify the extent of monitoring and customer service issues experienced as a result of a lack of data availability or reliability. This analysis can assist in determining whether or not service levels are being met in regards to roll cart data.

***CLIENT RESPONSE***

*Management Accepts Risk*

***CORRECTIVE ACTION PLAN***

*The data availability and reliability are acceptable and are in line with the contract and our roll-cart process.*

***TARGET COMPLETION DATE***

*August 28, 2017*

**AUDIT COMMENT 2****An opportunity exists to strengthen the controls around the invoice payment process.**

The objective was to determine whether or not Roll Cart Program invoice payments were processed accurately and in compliance with the Agreement.

Expenditures for roll carts are based on the Agreement's cost estimates and paid via purchase orders. Each vendor invoice for Cascade Engineering or Schaefer Systems International is compared by the Contract Manager to a pre-approved purchase order to ensure accuracy before being submitted to County Finance for payment.

The Audit Team selected a judgmental sample of 30 invoices totaling \$12,773,895.42 and examined the supporting documentation, associated purchase orders, management approvals, Oracle receipts and processed payments to ensure that they were:

- In compliance with Agreement terms.
- Appropriately authorized.
- Paid in a timely manner.
- Processed accurately.

**Testing Results**

- All 30 invoices and associated purchase orders contained labor rates and job descriptions that matched the requirements set forth in the Agreement.
- Evidence of management approval was available for 15 out of 30 (50%) invoices. For the remaining 15 invoices, evidence of the invoice approval was not maintained.
- All invoices were properly processed and timely receipted in the Oracle system.
- All payments were processed accurately and timely, within 45 days of invoice received date.

The Audit Team also compared the total cost allowance stated in the Agreement to total expenditures as of April 2017 to determine if the remaining balance was sufficient to cover future capacity.

Total Maximum Allowance amount per Cascade & Schaefer Agreement	\$ 26,812,337.41
Total Cascade & Schaefer expenditure for the audit scope	\$ 25,860,473.38
Available Balance	\$ 951,864.03
Average Annual Spending after initial deployment period	\$ 425,305.29
Remaining Agreement Time as of July 2017	10 months

As indicated in the table above, expenditures for the Roll Cart Program are in alignment with the Agreement's total allowable costs. Analysis of the annual expenditures for the scope period also indicates that the available balance would last approximately two years at a consistent rate of expenditure. The current contract expires on May 31, 2018.

### **RECOMMENDATION**

To ensure compliance with established departmental procedures, Solid Waste should maintain evidence of the management approval required for invoices.

### ***CLIENT RESPONSE***

*Concur*

### ***CORRECTIVE ACTION PLAN***

*Since Oracle currently provides adequate controls over invoice approvals, management will discontinue the practice of manually approving invoices which was the process established prior to the conversion to the Oracle system.*

### ***TARGET COMPLETION DATE***

*August 28, 2017*