



COUNTY AUDIT DEPARTMENT

REPORT # 430

DECEMBER 19, 2024

An Audit of:

YARD WASTE PROCESSING AGREEMENTS



Cindy Stuart

CLERK OF COURT & COMPTROLLER
HILLSBOROUGH COUNTY

The Honorable Ken Hagan, Chair
The Honorable Chris Boles
The Honorable Donna Cameron Cepeda
The Honorable Harry Cohen
The Honorable Christine Miller
The Honorable Gwen Myers
The Honorable Joshua Wostal

December 19, 2024

Dear Commissioners:

The Audit Team performed an audit of the Yard Waste Processing Agreements (**Audit Report #430, dated December 19, 2024**). The purpose of this Report is to furnish management with an independent, objective analysis, 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.

I appreciate this opportunity to be of service to the Board of County Commissioners. I am happy to address any questions that you may have or furnish additional information if desired.

Sincerely,

Heidi Pinner

Heidi Pinner, CIA CISA CFE CRMA
Chief Audit Executive, Clerk of Court & Comptroller

EQUITY | TRANSPARENCY | INDEPENDENCE

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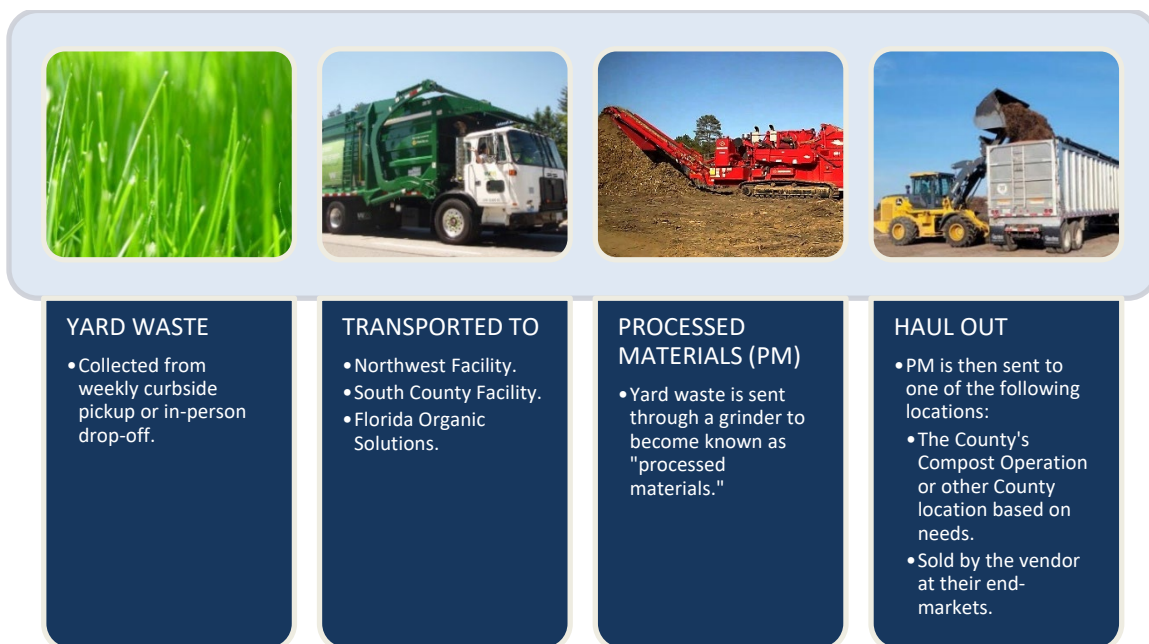
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EXECUTIVE SUMMARY

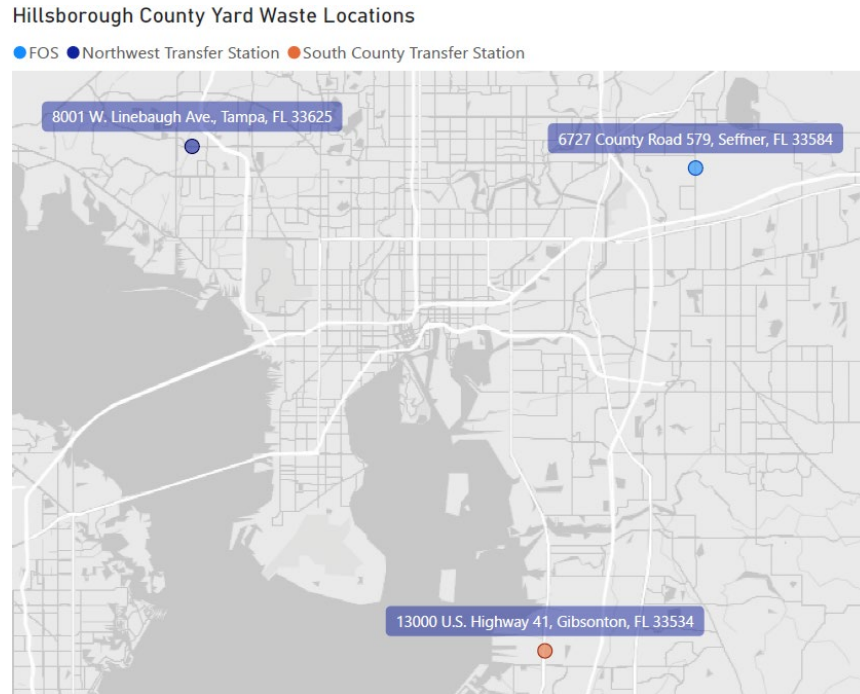
BACKGROUND INFORMATION

On February 3, 2021, the Hillsborough County Board of County Commissioners (BOCC) awarded five year contracts to the three overall lowest, responsive, and responsible bidders for the total amount of \$19,094,643.00 for ongoing and as-needed yard and wood waste processing for the Solid Waste Department (Solid Waste). The yard waste agreements’ primary function is to process and dispose of wood and yard waste collected by garbage trucks known as franchise haulers. One of the main purposes is to divert yard waste away from being buried at the County’s landfill to conserve available capacity, while instead using it for more environmentally beneficial uses such as making mulch or viable compost.

Hillsborough County’s Solid Waste Department currently operates two (2) active yard and wood waste processing facilities that are open to serve residents, privately owned businesses, and waste disposal companies: **(1)** The Northwest Yard and Wood Processing Facility (Northwest Facility), also known as the Northwest Transfer Station and **(2)** the South County Yard and Wood Processing Facility (South County Facility), also known as the South County Transfer Station. Yard and wood waste disposal services at both locations are outsourced and managed by a private company named Gaston Tree Debris Recycling, L.L.C. (Gaston). Hillsborough County owns the land that Gaston operates on; however, Gaston is responsible for providing all necessary yard waste equipment such as front-end loaders, heavy machinery, and larger grinders that grind yard waste into finer mulch. The two other firms’ contracts are no longer active due to the closing of the prior processing facility on Falkenburg Road and also one firm declaring bankruptcy.



The County has also approved a \$7,045,294.50 5-year contract for a third yard and wood waste processing site in Seffner named Florida Organic Solutions Inc. (FOS). The County does not own this site; however, customers may drop off yard waste at this location for an out of pocket fee. The contract requires FOS to be located within a 10-mile radius of the now closed Falkenburg Yard Waste Facility to ensure residents in that area are provided the proper yard and wood waste processing and disposal.



OBJECTIVE

The objective of the audit is to determine whether or not there are effective controls to manage the County's yard and wood waste processing services contract. This includes contract compliance, invoicing & payments, and consistent practices.

SCOPE

The audit was conducted in conformance with 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 Team conducted observations, interviews with Solid Waste staff, and reviewed supporting documents related to the County's yard waste contract as of July 2024. Tests were performed in order to determine whether or not invoices were accurate & paid timely, proper approvals were obtained, adequate contract management is being performed, and scale data is accurate. Specific testing date ranges are detailed in the applicable Audit Comments.

OVERALL EVALUATION

PROCESS STRENGTHS AND SUCCESSES

- All site and scale inspections tested were conducted timely and were accounted for.
- Gaston is paid based on yard and wood waste hauled out and are thus incentivized to haul out as much yard and wood waste as possible.
- FOS must ensure that each vehicle that enters the site is able to complete their disposal within 20 minutes. This ensures that franchise haulers are spending less time at FOS and more time picking up residential yard waste.
- A disaster recovery plan is in place to mitigate the risks of excessive yard waste.

CONTROL IMPROVEMENT OPPORTUNITIES/RISKS

- A process is not currently in place to verify the number of tons submitted by FOS on invoices.

Full testing results are included on page 5 of this Report.

OPINION

Control Maturity Levels



The overall control environment relative to the processes and procedures for managing the compliance with yard and wood waste processing agreements is at a managed maturity level. This rating indicates that management has robust, proactive controls and monitoring techniques employed to measure success with a strong assessment of operating effectiveness of contracted vendors. However, there is reliance on invoicing data provided by one of the vendors for billing purposes.

In lieu of an exit meeting, a draft of the final Report was shared with management prior to distribution to ensure accuracy. Other minor concerns not included in this Report may have been communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Chief Audit Executive
 Ben Everett, CPA, CIA, CFE, CISA, Audit Manager
 Shane Sandie, Internal Auditor

AUDIT COMMENT 1: INVOICING AND PAYMENTS TESTING

**SOLID WASTE
MAINTAINS AN
EFFECTIVE BILLING
RECONCILIATION
PROCESSES**

**INVOICES
REVIEWED:
17
NO EXCEPTIONS
IDENTIFIED**

**ALL CPI INCREASES
FOR GASTON AND
FOS TESTED

NO EXCEPTIONS
IDENTIFIED**

The Solid Waste Department has several effective controls in place to review and monitor invoice processing for yard waste.

The objective was to determine whether or not:

- ❖ The billable pay rates per ton were accurate.
- ❖ The invoice line items were correct.
- ❖ The controls over the invoice processing and payments made to the vendor are working effectively.
- ❖ Invoices are being paid accurately, proper approvals were obtained, tons billed match the scale weight data, and payments were made timely based on the Prompt Payment Act.

Background

Gaston and FOS each have their own established line item pay rates at each location for services provided. The typical service provided for both vendors is the processing, grinding, and hauling out of yard waste. Other line items that aren't used as often include: re-tooling of machinery, County haul out of processed materials, and disaster labor rates. Gaston and Florida Organic Solutions have the option to request a Consumer Price Index (CPI) increase each year, ninety (90) days prior to the anniversary date of the contract. The CPI is based on a formula in the agreements which incorporates annual federal government data that varies by industry. The purpose of a CPI increase request is to provide for inflation and vendors' increased operating costs. The purpose for municipalities to proactively approve these requests is to retain reliable vendors as well as ensure they are being paid fairly.

Hillsborough County receives two invoices each month from each Yard and Wood Waste Processing Facility operated by Gaston. Gaston is paid based on the amount of materials they process and haul out of the facility and are thus incentivized to move as much material out in order to be paid by the County. When Gaston trucks are being weighed at the scale house, the data is recorded from the CompuWeigh software and is later used to determine how many tons were hauled out. Twice a month (for each

location), Solid Waste verifies the amount of yard waste that was transported out of both the Northwest Facility and South County Facility by checking the CompuWeigh data. Before an invoice is created, Solid Waste emails Gaston the CompuWeigh data to obtain their agreement. Once the agreement is made between both parties, then Solid Waste approves the invoice and payment can be made to the vendor.

Hillsborough County receives one invoice each month from Florida Organic Solutions. Each vehicle that enters FOS is first weighed by the scales and the weight recorded is known as the gross weight. Once the vehicle dumps the yard waste and goes back over the scales, the new recorded weight of the vehicle is known as the tare weight. FOS is paid based on the net weight (gross weight minus tare weight) of each vehicle that leaves the facility. FOS must ensure that garbage trucks, known as franchise haulers, are able to complete their disposal within 20 minutes to ensure that haulers are optimizing the time spent picking up residential curbside yard waste.

Approvals and agreements are required before any payments are made to FOS. Since FOS owns their site and scale, FOS sends Solid Waste an email once a week with the scale data in an invoice format. Once Solid Waste agrees to the tonnage recorded, then payment can be made to the vendor. However, the County does not currently have a process to validate the tonnage data on FOS's invoices due to FOS owning the scale and generating the data themselves.

TEST PROCEDURE

The Audit Team performed a test to verify that the contractual pay rates and subsequent CPI increases were accurate. The Audit Team obtained and reviewed all six (6) CPI increases since the start of the contracts for Gaston and FOS. Based on the U.S. Bureau of Labor Statistics data, recalculations were performed to verify whether or not the rates are accurate.

The Audit Team also reviewed invoices for Gaston and FOS for February through April 2024. A total of 17 invoices were tested to verify whether or not Invoices are being paid accurately, proper approvals were acquired, tonnage and scale data match, and if payments were made timely based on the Prompt Payment Act.

TESTING RESULTS

Consumer Price Index (CPI) Increase Testing

All six historical CPI increases and pay rates for both Gaston and FOS, were recalculated and confirmed by the Audit Team using the contract formula and CPI index data from the U.S. Bureau of Labor Statistics.

Invoice Testing

Based on the audit testing performed on all invoices for Gaston and FOS, the Audit Team determined the following:

- ❖ Satisfactory supporting documentation was maintained.
- ❖ The scale data from CompuWeigh matched the tonnage that was billed on the Gaston invoices.
- ❖ The billing per-ton rates used on the invoices were accurate.
- ❖ Approvals were issued via e-mail for every invoice and approval controls are adequate to ensure billing accuracy.
- ❖ All invoices tested were mathematically accurate and were paid timely based on the Prompt Payment Act.
- ❖ Unlike the CompuWeigh system for the Gaston agreement, the County does not own or operate the scale used by FOS and therefore is unable to detect potential errors or misstatements in the number of tons billed by FOS. Solid Waste determines and authorizes the truck numbers that are associated with Hillsborough County's account. Truck numbers in the invoice data are reviewed to ensure they are appropriate and the numbers are programmed into FOS' scale system so that only those trucks are billed to Hillsborough County.

RECOMMENDATION

There is currently no ability to verify the accuracy of the tons billed by FOS. This observation is addressed in the recommendation for Audit Comment 2.

AUDIT COMMENT 2: INSPECTIONS PROCESS REVIEW

**WEEKLY
SITE
INSPECTIONS
ARE PERFORMED**

**SCALES ARE
INSPECTED

QUARTERLY**

**ALL YARD WASTE
FACILITIES ARE

IN COMPLIANCE

WITH THE
FDACS SCALE
PERMIT
REGULATIONS**

NO EXCEPTIONS

The Solid Waste Department has implemented effective vendor management processes to monitor the yard and wood waste facilities efficiently.

The objective was to determine whether or not:

- ❖ Solid Waste is performing appropriate contract management and supervision of the vendor.
- ❖ County scales are accurately reporting the correct weight measurements.

Background

The County’s decision to outsource the yard and wood waste processing to contractors was based on a number of factors, including (1) less risk to the County, (2) County staff and resources, (3) additional cost to procure and maintain heavy machinery and equipment, (4) being subject to routine regulatory and environmental inspections, and (5) insurance coverage that is the contractor’s responsibility.

The County’s Northwest and South County facilities are subject to weekly inspections by the Solid Waste Department and quarterly inspections performed by environmental scientists from the Environmental Protection Commission (EPC). The weekly inspections performed by Solid Waste are conducted with checklists in order to determine whether or not certain criteria at each site is either in compliance or out of compliance. If Solid Waste identifies anything that is out of compliance, then Solid Waste contacts the vendor to resolve the issue.

In order for the scales to be compliant, Northwest Facility, South County Facility, and FOS must maintain a valid scale house permit issued by the Florida Department of Agriculture and Consumer Services (FDACS). Permits are issued on an annual or biennial basis at an equal cost per year. Additionally, the Northwest Facility and South County Facility are subject to quarterly scale inspections from an outside vendor to ensure that the scales are maintained, calibrated, and accurately display the correct weight.

TEST PROCEDURE

The Audit Team performed the following steps during the testing process:

- (1) Obtained and reviewed the Solid Waste Department's weekly site inspection reports for the Northwest and South County locations for the months of April to May 2024.
- (2) Performed a review of the site inspection reports, identified any discrepancies, and verified the resolution, as applicable, by Gaston.
- (3) Performed a site visit and accompanied the Solid Waste Department on a weekly inspection.
- (4) Reviewed scale house calibration documentation and certifications for the prior year to verify that the scales have been properly calibrated.
- (5) Evaluated the contract vendor requirements pertaining to employee training, qualifications, subcontracting, and overtime.

TESTING RESULTS

The Audit Team determined the following during testing:



Solid Waste Department's Weekly Inspections Testing Site Visit

All weekly site inspections performed by the Solid Waste Department at the Northwest and South County Yard and Wood Waste Processing Facilities for April to May 2025 were accounted for. No discrepancies were identified.



Site Visit at the South County Yard and Wood Waste Processing Facility on June 18, 2024

- ❖ One (1) portable restroom was missing a toilet seat.
- ❖ One (1) large pot hole on the yard and wood waste pad was identified.



The Solid Waste Department stated that Gaston would address the portable restroom concern promptly. Once hurricane season has ended, repairs to the pad are planned to take place during January – February 2025, which is considered the slower season for yard waste.

This was the only inspection concern observed by the Audit Team during testing. Solid Waste management advised that the relationship with Gaston is currently positive and satisfactory. The vendor communicates clearly, often proactively, and responds to inquiries with a sense of urgency to the satisfaction of any concerns that are presented.



Scale House Documentation Testing

- ❖ All permits issued by FDACS are current for all three (3) locations: Northwest Transfer Station, South County Transfer Station, and FOS.
- ❖ All routine quarterly inspections and calibrations are current and have been consistently performed every quarter for the Northwest and South County Transfer Stations.



Gaston and FOS Contract Management Overview Testing

- ❖ Overtime payments are the responsibility of the vendors and have no monetary impact to the County (Gaston and FOS).
- ❖ If subcontracting is required, then it is the financial responsibility of the vendor (Gaston and FOS). Upon award of the contract, the vendors are contractually required to submit a list of potential subcontractors that may be used. Any changes to that list are subject to County approval. Currently, there are no known subcontractors that have been used by the vendors.
- ❖ No certifications are required to perform yard waste duties. Both Gaston and FOS are required to provide their own on-the-job training to their employees.

RECOMMENDATION

The inability to independently validate the tonnage data used by FOS for billing purposes does expose the County to the risk of inaccurate or fraudulent billings by the vendor. The audit team has discussed this with management and acknowledges that there does not appear to be a holistic reconciliation control that could be implemented to mitigate the risk at this time.

Management should remain cognizant of the risk exposure, continue to explore methods to validate the data presented and also consider what steps could be taken in subsequent agreements or processes to mitigate or avoid this risk.

CLIENT RESPONSE:

Concur.

CORRECTIVE ACTION PLAN:

FOS provides a weekly report to Hillsborough County Solid Waste Management Department of all scale house transactions that process Waste Management's delivery of yard waste collected from its routes during the report's stated dates of that week. Waste management trucks are given receipts of these transactions once completed and Waste Management retains them for their records. Once the FOS scale house report is received by Hillsborough County Solid Waste Management Department, the Hillsborough County Solid Waste Department's yard waste project coordinator will select at random a transaction from the FOS report and request from Waste Management a copy of the scale house receipt to confirm for accuracy. This validation will occur weekly upon receipt of the FOS weekly report. This record will be stored on the Solid Waste Management Department's shared drive in a specific folder to be identified as "FOS report validation" sorted by month and year, along with the corresponding FOS report for record keeping purposes of the validation of data received.

TARGET COMPLETION DATE:

Immediately.