



Council Auditor's Office
Landfill Contract Audit Follow-up
Report #812A

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #812, Landfill Contract Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We sent a follow-up letter to the City’s Chief Administrative Officer on July 7, 2020 inquiring as to the status of the remaining original audit report recommendations. We reviewed the recommendations from our audit report, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify the responses.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	3	2	1
Findings	6	3	3
Opportunities for Improvement	6	3	3
Total	15	8	7

The following is a brief summary of the remaining issues with responses from the Public Works Department that we received on March 10, 2021.

Internal Control Weakness 1 *Issues with Access Rights to Computer System*

In the original audit we found several issues with access rights to the computer system used to weigh, track, and bill for the waste accepted at Trail Ridge Landfill (Landfill), which included former employees of the City and outside companies not having their access disabled in a timely manner. There were also issues with a generic account being used, users with an inappropriate level of access, and passwords not being required to be periodically updated. We recommended that the Solid Waste

Division review the access rights and establish policies to periodically review access rights and update passwords.

During the follow-up review, we still found some issues:

1. Two active accounts were for current employees of outside companies that no longer required access.
2. Two active accounts had a generic username.
3. For the 25 remaining active users, we found that 11 of them (or 44%) had an inappropriate level of access based on their job duties (i.e, having inappropriate access that would improperly allow a user to make an adjustment that could ultimately impact collections and payments).

We then reviewed the latest standard operating procedures for the access rights review and found the following issues:

1. The standard operating procedures did not specify how often a review should be conducted.
2. The review was not documented, so we could not confirm if it takes place.
3. The Solid Waste Division does not contact the outside users to check if they still need access.

Lastly, we reviewed the policy on the periodic updating of passwords. It stated that all users must have their passwords expire, that passwords should be updated annually, and that when the password is changed, the expiry date should be set for one year in the future. We reviewed the current expiration dates for passwords for all active users and found that 10 of 20 (or 50%) passwords that expire do so after more than one year. Also, passwords for the software vendor employees and the Administrator account do not expire.

Solid Waste Division Response to the Follow-Up of Internal Control Weakness 1

Agree

Disagree

Partially Agree

Solid Waste Division (SWD) is in agreement. The two accounts for outside current employees have been deactivated. The second Administrator account was created in response to the original audit. The goal was to have an ITD Admin Account and a SWD Admin Account with different login information. Unfortunately, neither account would reflect the using department. We are working with ITD to determine if the Compuweigh system upgrade will be able to address this issue to avoid generic accounts. SWD will review employee roles and access rights and make appropriate changes to ensure the level of access is appropriate for all users.

In addition, SWD will revise the Standard Operating Procedures (SOP) for access rights review to include the frequency of reviews. A step will be added to contact all outside users to verify the need for access. All users passwords will be updated with an expiry date of one year or less. Going forward, these reviews will be documented with a memo to file that contains at a minimum, the date performed, the reviewer name and title, a detailed description of actions taken, and any other relevant information. These revisions to the SOP will be completed by April 30, 2021.

Finding 1 *Issues with Tonnage Payments*

In the original audit we found inaccuracies with tonnage payments from the City to the landfill contractor. Incorrect rates were used due to various issues such as inaccurate or mistimed annual inflation adjustments and omitted fees or material type categories. There were some underpayments because certain transactions were recorded incorrectly in the system, and some atypical material type categories were erroneously excluded from payment calculations. Additionally, an overpayment was made due to a transposition of digits. We recommended that the Solid Waste Division improve the monthly tonnage form to minimize manual involvement to prevent these issues from occurring again in the future and implement a review process where a second employee would review and sign off on the payment calculation.

During the follow-up review, we recalculated the annual inflation adjustments and found that the annual inflation adjustment applied during July 2020 was incorrectly calculated. The inflation adjustment factor was not applied at all since it was negative; however, the contract does not state to not use negative annual inflation. The annual inflation adjustment (positive or negative) should be applied consistent with the contract.

Solid Waste Division Response to the Follow-Up of Finding 1

Agree Disagree Partially Agree

The inflation adjustment for 2020 was corrected and payment adjusted with the August 2020 landfill operations payment.

Finding 2 *Payments with Timeliness Issues

In the original audit we found that some payments were not made in a timely manner. Florida Statute 218.734 states payments must be made within 45 days (25 days if related to construction services pursuant to Florida Statute 218.735), and Section 5.5 of the Agreement states tonnage invoices must be paid within seven days of the end of the month. We also noted that some non-tonnage invoices were not stamped with the date received by the Solid Waste Division, potentially affecting the ability to support the timeliness of payment. We recommended all City payments be made in a timely manner and any delays due to waiting on requested additional information be noted on the invoice as well as when the information was requested and received.

During the follow-up review, we still found some payment timeliness issues:

1. We reviewed all invoices received from February 2020 through August 2020 to confirm that the invoices were stamped with the date they were received by the Solid Waste Division and if the payment was made in a timely manner. We found that although all invoices were stamped with the date received, 11 of 32 (or 34.38%) payments made were not made within the time period outlined in state statutes, and no notes were made on the invoices to justify the lateness of the payments.
2. We reviewed the monthly tonnage payments from August 2019 through July 2020 and found that 12 of 12 (or 100%) monthly tonnage invoices were not paid within the time period outlined in the contract.

We recommend the Solid Waste Division improve timeliness of payments to be consistent with applicable laws and contracts.

Solid Waste Division Response to the Follow-Up of Finding 2

Agree Disagree Partially Agree

SWD will ensure payment delays are notated on invoice. Also, SWD will work with the Accounting Division to ensure payments are made within the timeframe identified in the contract terms.

Finding 4 *Discrepancies in Waste Tire Count*

The issue in the original audit was that the Solid Waste Division was not recording all of the tires removed by the Contractor from the “working face”, which is the area of the landfill where waste is being actively dumped. The number of tires reported by the City (22,172) was lower than the amount reported by the Contractor (28,196). Once the number of tires exceeds a threshold (about 32,000 at time of audit), the City must compensate the Contractor for each tire removed. We recommended the City create and implement a process to record and track any and all tires removed from the working face.

In their updated response, the Solid Waste Division stated they still rely on the Contractor to provide the removed tire counts due to the lack of a dedicated Solid Waste employee to monitor the area, but they intend to reclassify a position for this purpose in the future. We continue to recommend the City monitor the tires removed from the “working face” in a cost-effective manner.

Solid Waste Division Response to the Follow-Up of Finding 4

Agree Disagree Partially Agree

SWD has reclassified and assigned the employee to monitor the activity in the "working face" area. This employee records and tracks any and all tires removed from this area of the landfill.

Opportunity for Improvement 1 *Surcharges (Administrative Fees) Charged by Contractor*

The issue in the original audit was that the payments to the Contractor did not include information that would identify what section of the Agreement to which the charges applied, including surcharges of different percentages for oversight costs. We recommended the Solid Waste Division request the Contractor to include on the invoice the section of the Agreement to which the charges applied and if the Contractor refused, the Division should mark the appropriate section directly on the invoice when processing the payment.

In their updated response, the Solid Waste Division stated that they mark the appropriate section directly on the invoice during the review and approval of the invoices. During the follow-up review, we reviewed all invoices received by the Solid Waste Division from February 2020 through August 2020 and found that 27 of 33 (or 81.82%) invoices did not have the applicable section of the contract noted on the invoice. We recommend the Solid Waste Division work to be more consistent with

marking the applicable sections on the invoice to help ensure the appropriate surcharge is being paid to the Contractor.

Solid Waste Division Response to the Follow-Up of Opportunity for Improvement 1

Agree Disagree Partially Agree

The SWD Accounting Manager will ensure a section of the contract has been noted on all invoices before processing.

Opportunity for Improvement 2 *Video Surveillance System*

The issue in the original audit was the lack of surveillance cameras to record the south and west facility entry points, the scale house bypass roads, and the area housing the safe. We recommended the City consider installing additional cameras or repositioning existing cameras at the facility entry points, scale house bypass roads, and safe/till areas.

In their updated response, the Solid Waste Division stated that, while they have installed cameras at the scale house bypass roads and safe/till areas (which we confirmed), they have not yet installed cameras at the facility entry points.

Solid Waste Division Response to the Follow-Up of Opportunity for Improvement 2

Agree Disagree Partially Agree

SWD is evaluating available funding sources in order to proceed with the project. Camera, wi-fi routing, and electric and cable line locations have all been determined, infrastructure and hardware needs have been identified and a preliminary scope of work has been prepared with assistance from ITD.

Opportunity for Improvement 5 *Adding Comments in the System for Unusual Transactions*

The issue in the original audit was the documentation of unusual transactions. We identified five hazardous waste transactions in the computer system that were voided without comment or explanation. We recommended that when an unusual transaction is processed or an adjustment is made, adequate notes should be added to the comments section in the computer system.

During the follow-up review, we found that all five voided handwritten tickets we reviewed were not entered into the system. This also meant that no notes would be entered in the system about why these tickets were voided. We recommend that all voids be clearly documented in the system (even paper invoices) to help avoid abuse or fraud as well as ensure that we are ultimately collecting the correct amount from the customer and paying the Contractor the correct amounts.

Solid Waste Division Response to the Follow-Up of Opportunity for Improvement 5

Agree

Disagree

Partially Agree

The SWD landfill supervisor and lead personnel have been directed to enter all handwritten transactions in Compuweigh even if the transaction was voided. The SOP will be updated to clarify that voided handwritten transactions must still be entered into Compuweigh to document that the transaction occurred. These revisions to the SOP will be completed by April 30, 2021.

We would like to thank the Solid Waste Division for their cooperation in conducting this follow-up review.

Sincerely,

Kim Taylor

Kim Taylor, CPA
Council Auditor