



Follow-Up Review of
Audit of the Solid Waste and
Recycling Services Division

Office of the County Auditor

Follow-up Review

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Follow-Up Review Conducted by:
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Report No. 20-20
September 29, 2020

**OFFICE OF THE COUNTY AUDITOR**

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September 29, 2020

Honorable Mayor and Board of County Commissioners

We have conducted a follow-up review of the Audit of the Solid Waste and Recycling Services Division. The objective of our review was to determine the implementation status of our previous recommendations.

We conclude that three recommendations were implemented, one was partially implemented, and one was not implemented. The status of each of our recommendations is presented in this follow-up report.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

We appreciate the cooperation and assistance provided by the Solid Waste and Recycling Services Division throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Monica Cepero, Deputy County Administrator
Steve Hammond, Acting Director, Public Works Department
Jeff Turpin, Director, Solid Waste and Recycling Services Division

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IMPLEMENTATION STATUS SUMMARY

FOLLOW-UP REVIEW OF THE AUDIT OF THE SOLID WASTE AND RECYCLING SERVICES DIVISION

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS		
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
1. A	Perform the following to address annual deficits in optional services: i. Evaluate charges to the BMSD and participating municipalities, cost containment, and/or identified funding sources for future deficits. ii. Evaluate the ongoing feasibility and appropriateness of continuing the services.	✓		
1. B	Address annual deficits in Governmental Facilities Recycling Services through evaluation of charges to County agencies, cost containment, and/or identified funding sources for future deficits.	✓		
2. A	Evaluate BMSD surpluses with consideration for: i. adjustments to annual assessments in order to operate on a revenue neutral basis and, if applicable, reduce reserves over time to appropriate levels, or ii. applying surpluses to a specified reserve purpose such as a rate stabilization.		✓	
2. B	Establish a policy establishing a targeted reserve amount.			✓
3.	Broward Landfill Operations Manual and Cash Handling Procedures Manual be finalized.	✓		

INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted a follow-up review of the Audit of Solid Waste and Recycling Services Division (Report No. 19-05). The purpose of this follow-up review was to determine the implementation status of previous recommendations.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Our follow-up review included such tests of records and other auditing procedures as we considered necessary in the circumstances. The follow-up testing periods were fiscal years 2019 and 2020. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that three recommendations were implemented, one was partially implemented, and one was not implemented.

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS

This section reports actions taken by management on the recommendations in our previous audit. The issues and recommendations herein are those of the original audit, followed by the current status of recommendations.

1. Annual Deficits in Optional Services and Governmental Facilities Recycling Services Should Be Addressed.

During our prior audit, we noted the following concerns:

- A. Four SWRS Optional Services provided to the BMSD and participating municipalities generated deficits of \$611,530 in fiscal year 2017. These services were 1) Field Inspection, 2) Keep Broward Beautiful, 3) Bulk/Yard Waste, and 4) Household Hazardous Waste (HHW) / Electronics Recovery. Table 1 shows the total revenues and expenditures and resulting deficits for each service for fiscal year 2017. The deficits totaled \$611,530.

Table 1 - Optional Services Provided to BMSD and Municipalities*

Optional Services for Fiscal year 2017	Field Inspection	Bulk- Waste/ Yard Waste	HHW/ Electronic Recovery	Keep Broward Beautiful
Revenues	\$45,365	\$189,098	\$773,775	\$43,296
Expenses	76,658	463,077	907,163	75,600
Share of Administrative Expense	<u>18,044</u>	-	<u>103,248</u>	<u>19,274</u>
Deficit	<u>(\$49,337)</u>	<u>(\$273,979)</u>	<u>(\$236,636)</u>	<u>(\$51,578)</u>
Number of Participating Municipalities	4	7	11	6

Source: Compiled by Office of County Auditor from data provided by Accounting Division

* As shown in Table 1, we allocated administrative expenses from the SWRS administrative section to the optional services sections. The administrative expenses were allocated proportionally based on the amount of personnel expenses in the optional services sections as compared to the other sections within SWRS

- B. SWRS Governmental Facilities Recycling Services operated at a deficit of \$194,277 in fiscal year 2017. Under this program, SWRS receives revenue from County agencies for recycling activities conducted at government facilities. The deficit includes an allocation of \$34,391 in administrative expenses from the SWRS administrative section.

We recommended management:

- A. Perform the following to address annual deficits in optional services:
 - i. Evaluate charges to the BMSD and participating municipalities, cost containment, and/or identified funding sources for future deficits.
 - ii. Evaluate the ongoing feasibility and appropriateness of continuing the services.
- B. Address annual deficits in Governmental Facilities Recycling Services through evaluation of charges to County agencies, cost containment, and/or identified funding sources for future deficits.

Status:

- A. **Implemented.** A new interlocal agreement, approved June 11, 2019, raised rates and provides for an annual 3% increase going forward. Leading up to the agreement, deficits were lower in fiscal year 2019 as compared to fiscal year 2017. As previously observed for fiscal year 2017, the four optional services generated deficits before and after allocation of administrative expense. The deficits totaled \$611,530. For fiscal year 2019, one optional service generated a deficit before allocation of administrative expense and three optional services generated deficits after allocation of administrative expense. The deficits totaled \$463,385. Further improvement is expected in fiscal year 2020.
- B. **Implemented.** Management stated, “the following measures have been identified and taken to address annual deficits in Governmental Facilities Recycling Services:
 - Rebidding recycling collection services for Government Facilities and Parks in 2019 which resulted in an overall contractual decrease of approximately 3.2 percent.
 - Termination of MOU with the Broward County Aviation Department (BCAD) for recycling services in 2019. Escalated contract costs were attributable to high contamination fees associated with airlines mixing garbage with recyclables. The process of either removing contamination at the recycling processing facility or just opting for disposal altogether was a daily and costly occurrence. Furthermore, high contamination interfered with potential and anticipated revenues that could have been realized, which would have offset some contract costs.
 - Across the globe, market prices for recyclable materials have suffered a precipitous decline while simultaneously programs had to adjust for the rise in processing fees to address contamination issues and changes in the global market arena. Though

management realize that there is a higher cost associated with managing recycling programs at this time, it is our responsibility as government leaders to provide the opportunity for employees and County residents to engage in environmental stewardship.

- SWRS frequently researches opportunities for alternate funding sources to help defray budget costs. Oftentimes, recycling related grants for established programs such as ours are geared towards very specific types of purchases which do not necessarily fit with our programmatic needs. However, we are made aware when grants are available and continue to review carefully for interest.
- As a cost contaminant measure, out of six part-time Office Support Specialist positions available under the Government Recycling program, all positions are vacant and have been frozen. Two of those positions were required as part of the MOU with BCAD for recycling services and are no longer necessary.
- Staff reevaluated recycling costs charged to the five Enterprise Fund agencies receiving recycling services. It has been determined that charges are fair and represent true contract costs and overhead fees.”

2. The BMSD Fund Balance and Charges to Customers Should be Evaluated.

During our prior audit, we noted that residential customers in the BMSD pay an annual solid waste assessment fee for the collection and disposal of residential solid waste and recyclables. This method of charging an annual fee is consistent with other municipalities that provide these services. However, the amount of assessment fees charged resulted in excess revenues within the fund.

- A. BMSD revenue exceeded expenses by \$462,626 and \$230,759 in fiscal years 2016 and 2017.
- B. The BMSD reserve was \$7,395,409 as of September 30, 2017 which was enough to cover over five years of expenditures. SWRS provided documentation to support \$2,987,377 received from the Resource Recovery System as distributions to the municipalities. The balance of \$4.4 million may be derived, in part, from the residents of the unincorporated area paying higher solid waste assessments than were required to cover the cost of collecting the solid waste.

We recommended management:

- A. Evaluate BMSD surpluses with consideration for:

- i. adjustments to annual assessments in order to operate on a revenue neutral basis and, if applicable, reduce reserves over time to appropriate levels, or
 - ii. applying surpluses to a specified reserve purpose such as a rate stabilization
- B. Establish a policy establishing a targeted reserve amount.

Status:

- A. **Partially Implemented.** For fiscal year 2019, the BMSD fund continued to generate a surplus with revenue exceeding expenses by \$251,484, which is 9% greater than the excess revenue for fiscal year 2017. However, the new waste collection services contract, effective April 1, 2020, includes collection fees that are 14.4% higher than the prior vendor. It is also noted that for fiscal year 2021 residential household rate increases were held at 7.4%, reflecting a minimal increase from \$270 to \$290. In combination, these changes may result in operating at a more revenue neutral basis. Further efforts to reduce reserves over time have not been initiated.
- B. **Not Implemented.** A policy establishing a target reserve amount has not been established. Management has explained that it has not established a target reserve policy at this time due to the uncertain nature of the handling of solid waste in Broward County and the unknown financial contributions the County may have to make to address this matter.

3. The Broward Landfill Operations Manual and Cash Handling Procedures Manual Are in Draft Format.

During our prior audit, we noted that County agencies should have policy and procedure manuals which describe the critical daily tasks that must be accomplished for the agency to operate effectively and efficiently. The Broward Landfill Operations Manual and Cash Handling Procedures Manual were in a draft format and had not been finalized.

We recommended the Broward Landfill Operations Manual and Cash Handling Procedures Manual be finalized.

Status: Implemented. The Broward Landfill Operations Manual and Cash Handling Procedures Manual have been finalized and describe the critical daily tasks that must be accomplished for the agency to operate effectively and efficiently.