



**Williamson County
Auditors' Office
Green Internal
Audit Report**

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Landfill

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Regional Animal Shelter
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Management

Williamson County Landfill Audit Report

BACKGROUND:

Williamson County owns the real property at 600 CR 128, Hutto, where the landfill is located. The County contracts with an independent agent, Waste Management, Inc., to administer the daily operations. They abide by the regulations and licensing requirements set forth by the Texas Commission on Environmental Health and comply with other pertinent statutes issued by other governing offices of the Federal, State, and Local authorities. Waste Management operates under an agreement with Williamson County that was amended in March 2009. This agreement stipulates for the county to be paid a 14.5% monthly royalty for a total of no less than \$250,000 per agreement year. The county will be paid 6.5% of monthly gross receipts for all recyclables or diverted material accepted at the landfill. Every year on January 31, 2% of yearly royalty will be paid to the Future Environmental Liability Fund (FELF), 1% to the Master Site Development Fund (MSDF), 1% to the Community Recreational Facility Fund (CRFF) and 2% for the benefit of Hutto and Hutto ISD, in addition to the 14.5% royalty. The agreement also states that if Waste Management contracts with an unrelated third party for a disposal rate at the landfill that is less than the current gate rate, then for the purposes of calculating monthly royalties, this negotiated disposal rate should be raised up to the current gate rate.

In January of 2008, Waste Management implemented new procedures to charge customers by the ton, instead of by the yard as in previous years. A new weigh station was installed and gate rates were modified to coincide with the new procedures. The current gate rates are \$25 for all cars and pick-up trucks and \$30.50/ton for all trailers with debris (with a one ton minimum). There is also an additional TCEQ fee charged which varies depending on the size of the load.

SCOPE: April 2010 through December 2010 activity and the additional yearly fund payment for 2010.

This audit was conducted according to The Institute of Internal Auditor's *Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*, where applicable.

OBJECTIVES:

- Identify initiating department who is to be responsible for administering monitoring contract performance.
- Verify if the contractor is compliant with the terms and conditions of the contract.
- To determine if the County is in compliance with the terms and conditions of the 2009 Williamson County Landfill Operation Agreement.
- Verify receipt of the annual payment for the Additional Fees and Annual Recycling Material Sales Payment due the County, according to the Operating Agreement, were received and posted into the accounting system timely.
- Verify quarterly calibration tests are performed on the scales at the weigh stations by a third party.
- Verify monthly royalty payments are documented and calculated according to the Williamson County Landfill Operations Agreement.
- To determine if Contractor invoices paid by the county are accurate, complete, and approved prior to payment.
- To determine if a schedule of free tonnage prepared by the Contractor is accurate and reasonable.
- To determine if the number of dead animals reported on the gate receipts agree with the number on the Non-Hazardous Waste Manifests.

METHODOLOGY:

- Obtain and review contract documents
- Compare contractor activity to terms and conditions of the contract
- Compare county activity to terms and conditions of the contract
- Document receipt of additional fees
- Review deposit dates in Oracle
- Review procedures for handling Special Waste
- Review daily deposit packets
- Review quarterly calibration reports
- Review calculations on the Total Customer Summary Report
- Select and review a sample of WM invoices
- Tipping Fee
- Select a random sample of WM gate receipts for the Williamson County Regional Animal Shelter and trace to the Non-Hazardous Waste Manifests.

Work Performed

Contract Administration	
Criteria:	Identify initiating department who is to be responsible for administrating and monitoring contract performance.
Condition:	The landfill is operating under the Williamson County Landfill Operation Agreement approved by the Commissioners Court March 9, 2009. Bob Daigh, Senior Director of Infrastructure for Williamson County supervises landfill activities and is the contract administrator.

Contractor Compliance	
Criteria:	Verify if the contractor is compliant with the terms and conditions of the contract.
Condition:	<p>The following sections of the operating agreement contain the following compliance requirements:</p> <p style="text-align: center;">Section 2.1 Representations and Warranties of Contractor</p> <ol style="list-style-type: none">1. Site manager stated that all “acceptable disposable waste” delivered to the landfill was accepted.2. Nothing has come to the auditor’s attention indicating there is the appearance of a conflict of interest. <p style="text-align: center;">Section 2.2 Representations and Warranties of County</p> <ol style="list-style-type: none">1. Nothing has come to the auditor’s attention indicating the county did not respond timely to any requests from the contractor for information. <p style="text-align: center;">Section 2.4 Facilities Maintenance</p> <ol style="list-style-type: none">1. A site visit was made to the landfill on 02/14/2011 and on visual inspection all facilities appeared to be in good working order and repair.2. Site manager identified several ground water monitoring wells on landfill property.

Section 2.9 Closure and Post-Closure Liability Funds

1. The Contractor established and maintained closure and post-closure trust fund accounts as required by law.
2. The Contractor has funded the Future Environmental Liability Fund.
3. The Contractor is paying 2% of the Tip Fee.
4. The FELF fund fee is not being charged to Landfill users delivering Recyclable Material or Diverted Material.
5. All annual payments to the FELF were made by January 31st.

Section 2.11 Records and Reports by Contractor

1. The Contractor is providing the County a monthly report.
2. The Contractor has provided the County audited financial statements.
3. The Contractor has provided the County an annual schedule of amortized and unamortized capital expenditures of the Landfill by May 1st.
4. The Contractor is recording all weights and charges made to users on sequentially numbered tickets.
5. The Contractor has submitted the quarterly reports to the County by 15 days following the end of each quarter.
6. The County has not hired a qualified and independent Oversight Inspector.

Section 2.12 Accidents; Complaints

1. There has been one minor accident at the landfill that did not require transportation to a hospital. An accident report was promptly filed.
2. The Contractor has responded to complaints, charges, or allegations within 72 hours.

Section 2.14 Scheduling; Management; Quality of Performance

1. All landfill personnel are certified, licensed, or otherwise qualified as required by Applicable Law.
2. The Contractor periodically conducts appropriate safety and training programs for all personnel.

Section 2.15 Emergency Operations Plan

1. The Contractor has provided the County a comprehensive Emergency Operations Plan.
2. The plan includes the required information and has been tested on a regular basis.

Section 2.16 Master Site Development Plan

1. The Contractor has developed a Master Site Development Plan timely and the Plan is compliant with the requirements of the Landfill Operation Agreement.
2. The Court accepted the plan on March 9, 2010.
3. If yes, has implementation begun? Yes.
4. The Master Site Development Fund has been established and it is being funded by at 1% of the Tip Fee.
5. Payment has been made by January 31 of each year.

Nothing came to our attention to cause us to believe the Contractor is noncompliant with the terms and conditions of the operating agreement.

County Compliance

Criteria: To determine if the County is in compliance with the terms and conditions of the 2009 Williamson County Landfill Operation Agreement.

Condition: Section 2.11(c) (4) of the 2009 Williamson County Landfill Operation Agreement states "County may, at its sole option, hire a qualified and independent Oversight Inspector, who has no conflict of interest, to represent County in monitoring Landfill operations." Such an Oversight Inspector has not been hired to date.

On December 14, 2010 the Commissioners Court approved agenda item 44 "To authorize advertising and set date of February 3, 2011 at 3:00 p.m. in the Purchasing Department to receive proposals for Williamson County Landfill Inspection Training, proposal number 11WCCP1001." A contract for inspection training has not been awarded to date.

On July 20, 2010 the Commissioners Court approved agenda item 27 "To approve the acquisition of the services of a landscape architect to assist with the Landfill Master Plan."

On December 14, 2010 the Commissioners Court approved agenda item 40 "To authorize advertising and set date of January 19, 2011 at 3:00 p.m. in the Purchasing Department to receive qualifications for landscape architectural services for Landfill Master Plan, RFQ #11WCRFQ1003." A contract for landscape architectural services has not been awarded to date.

The 2009 Williamson County Landfill Operation Agreement does not identify deadlines for the hiring of an oversight inspector or a landscape architect. Therefore, the County is compliant with the contract with respect to these two items.

Nothing came to our attention to cause us to believe the County is noncompliant with other sections of the Agreement.

Royalties - 30 Day	
Criteria:	Verify receipt of the annual payment for the Additional Fees and Annual Recycling Material Sales Payment due the County, according to the Operating Agreement, were received and posted into the accounting system timely.
Condition:	<p>The annual payments totaling \$449,421.92 due to the following funds were received and accounted for timely and without exception.</p> <p style="padding-left: 40px;"> Future Environmental Liability Fund City of Hutto and Hutto ISD Fund Master Site Development Fund Community Recreational Facility fund </p> <p>The Annual Recycling Material Sales Payment was \$2,134.13 and was also received and accounted for timely and without exception.</p>

Revenue	
Criteria:	The months of June, August, September, and November 2010 were selected for detailed testing. The gate receipt for individual transactions were selected at random from all the gate receipts for each week, the amount of the individual transaction was traced to the deposit slip, and then the deposit slip amount was traced to the bank deposit receipt.
Condition:	There were no exceptions.

Calibration	
Criteria:	Verify quarterly calibration tests are performed on the scales at the weigh stations by a third party.
Condition:	<p>Both scales at the landfill weigh station have been regularly calibrated the Bastrop Scale Company, Inc. P.O. Drawer 2100, Bastrop, Texas, 78602.</p> <p>The scale serial numbers listed on the certificates of inspection match the serial numbers on the display monitor for each scale.</p>

Royalties	
Criteria:	Verify monthly royalty payments are documented and calculated according to the Williamson County Landfill Operations Agreement.
Condition:	For the months randomly selected for detailed testing, the royalty payments are documented and calculated according to the Williamson County Landfill Operations Agreement.

WM Invoices	
Criteria:	To determine if Contractor invoices paid by the county are accurate, complete, and approved prior to payment.
Condition:	There were no exceptions.

WCRAS invoices	
Criteria:	To determine if the number of dead animals reported on the gate receipts agree with the number on the Non-Hazardous Waste Manifests.
Condition:	There were no exceptions.

Auditor's Note

During this audit, the assistance and cooperation of Waste Management's on-site staff was excellent and very much appreciated. A special thank you goes to Danielle Richardson, Internal Auditor II, for her guidance and assistance during the transition of in-charge assignments for this audit.

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Findings, Recommendations, and Responses

Free Tonnage	
Criteria:	Section 3.1 (b) of the Operation Agreement states "County shall not pay a Tip Fee on the first 750 tons of Acceptable Waste, inclusive of dead animals, it delivers to the Landfill per Agreement Year".
Condition:	Based on information provided by the WCRAS Director there were 543 cats and 435 dogs euthanized at the shelter between March 2010 and February 2011. The weight of the euthanized animals is estimated to be 12.23 tons for the contract year ended February 28, 2011, and the free tonnage schedule reports 22.13 tons for the same period.
Cause:	The probability exists that the variance in tonnage is due to combining loads from the WCRAS with waste from other county departments.
Effect:	The variance of 9.87 tons is worth approximately \$325.
Recommendation:	The WCRAS Director and the landfill manager should take the necessary steps to ensure the WCRAS is only being charged for Acceptable Waste generated by the shelter and not other county departments.
Management Response:	WM will begin sending the Director of the Regional Animal Shelter the monthly ticket detail of what is being charged to their account so it can review it monthly.

Findings, Recommendations, and Responses Continued

Criteria:	Section 2.11 Records and Reports by Contractor, (c) Operational Review (3) States "Within 45 days following the County's annual performance review and inspection, County shall issue to Contractor a summary of all findings and recommendations, if any, for changes to Landfill management, operation, and maintenance."
Condition:	A summary report of all findings and recommendations, if any, for changes to Landfill management, operation and maintenance recommended by the County to the Contractor was unavailable for review.
Cause:	The written results of performance reviews of Landfill operations made by the Senior Director of Infrastructure for the County s have not been made.
Effect:	The lack of written documentation on performance reviews increases the risk of noncompliance with the Agreement.
Recommendation:	Within 45 days following a meeting to review operations and performance of the Contractor, County management should issue to the Contractor a summary report or letter of all findings and recommendations, if any, for changes to landfill management operation, and maintenance.
Management Response:	Effective immediately the Senior Director of Infrastructure for the County will issue a summary report or letter of all findings and recommendations, if any, from the performance reviews to the Contractor.