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CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

**Walton County
Solid Waste & Recycling Department Audit**

**Alex Alford
Clerk of the Circuit Court and County Comptroller**

Internal Audit Department

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Report 1501
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December 2, 2015

Board of County Commissioners

The Internal Audit Department has conducted an audit of the Walton County Solid Waste & Recycling Department's Landfill. The Landfill's records were reviewed for the period of October 1, 2013 to September 30, 2014 to determine if internal controls for the Landfill were adequate and working as intended. Also, to determine if the Landfill was in compliance with applicable statutes, laws, rules, regulations, policies, and procedures.

The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as considered necessary for the area under review. These standards require the audit to be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. Based on the audit objectives, Internal Audit believes the evidence obtained provides a reasonable basis for the findings and conclusions.

Responses to our Recommendations were received from the Solid Waste Manager and are incorporated herein and also included as Attachment A.

Internal Audit appreciates the cooperation of County personnel and Solid Waste's management and staff during the completion of this audit.

Johnny Street
Internal Audit Manager

Approved:

Alex Alford
Clerk of Circuit Court
and County Comptroller

c: Jeff Massey, Solid Waste Manager
County Administration

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EXECUTIVE SUMMARY



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Executive Summary

Walton County's Landfill (Landfill) is under contract with Waste Management, Inc., to collect residential garbage and transport it to the landfill at no charge to the residential customers. From there, the garbage is loaded in trucks and transported to the Spring Hill Landfill in Jackson County. Walton County residents are not billed for solid waste collection since the adoption of Ordinance No. 94-16, the Small County Surtax Ordinance, a Local Option Sales Tax. Under the franchise agreement with Waste Management, Commercial customers are required to pay for disposal of their garbage and are billed for the service. The tax revenue collected is used to offset the cost of garbage disposal and some tipping (dumping) fees. The Walton County Landfill only accepts Class III waste, the majority of which is yard waste such as grass clippings and tree limbs.

The review of the Landfill was conducted for the period October 1, 2013 through September 30, 2014. The month of September, 2014 was selected for review which included deposits. In addition, 2,374 related scale transactions were examined to ascertain if the fees charged were appropriate, and calculated accurately. Additionally, a sample of Daily Sheet transactions were traced back to actual scale documents to ascertain the accuracy and reliability of the Daily Sheet entries.

Furthermore, transactions specific to the Landfill's commercial customers were tested to determine if the Department's accounts receivable process captured all of the charges completely and accurately. This examination revealed certain weaknesses surrounding the collection and disposal of solid waste.

1. Controls over establishment of vendor billing accounts could be improved.

When accounts are opened at the Landfill, the credit worthiness of the customer is not verified. The Landfill does not require a cash deposit in order to open an account. If an account becomes delinquent, the Landfill does not apply late fees or penalties to the charges. The late fees and penalties have not been established by resolution and approved by the Board.

2. Dumping fees could use additional clarification.

A resolution for fees and charges for use of the landfill have not been adopted since the implementation of the County's surtax was approved. It has been at least 20 years since the fees were adopted by Ordinance 1994-02. Also, nothing was found that indicated if residents and/or commercial customers are required to pay dumping fees. The resolution and ordinance only address the type of waste that requires a fee.



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CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

In addition, the current practice is to charge commercial entities for dumping fees. It has been noted that some commercial customers have claimed they are dumping their residential waste; thus, avoiding the dumping fees. Landfill management has been exceptionally vigilant in attempting to collect the proper fees.

Since the landfill is such a huge investment, the County should consider limiting the amount of Class III waste brought to the facility during a given period of time. Charging for excessive waste will help eliminate commercial entities trying to get by without paying.

3. A vendor arrangement does not benefit the County.

The Landfill has an arrangement with a tire vendor that allows them to dispose of tires at no charge. The vendor has a dumpster where they are supposed to place tires removed from County vehicles. The Landfill retrieves the dumpster, empties it, and returns it to the vendor at no charge. There is no apparent benefit in this arrangement.

4. Scale transactions could be more consistent among operators.

The new Landfill system being utilized has the capability of recording additional information that might be of benefit to management in their analysis of the trends and needs of the landfill operations. Also, it was noted that sometimes a difference of opinion occurred among operators as to what constitutes which type of waste.

5. Some fee exemptions should be approved by the Board.

Exemptions are granted to most government entities but not all. In addition, certain nonprofits are also allowed to dump for free. Finally, certain code violations requiring dumpsters and fire burnouts are given a free pass. All exemptions should be approved by the Board and formalized by resolution. Others could be addressed on a case by case basis.

6. Private haulers may be operating in the exclusive franchise area.

The franchise agreement was outside of the scope of this audit; however, this is an issue that should be addressed to ensure no franchise encroachment exists. We did not determine if there is evidence that the vendor is not being paid for these residents through the franchise agreement.



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The Internal Audit Department commends the efforts of the current staff and management in ensuring that Walton County Landfill is operating in an efficient and effective manner. We feel management has a vision for the future of the Landfill that will serve the best interests of the citizens of Walton County for years to come. In addition, the controls over department expenditures appear to be adequate. The addition of formal written controls and procedures will help formalize the current practices of the Landfill.

INTRODUCTION



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CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

INTRODUCTION

Solid Waste Audit

Background

The Solid Waste Department was reorganized in July, 2014, when it moved from Public Works to County Administration. In August 2014, the current manager brought aboard to keep the Department moving into the future.

The Landfill is under contract with Waste Management, Inc., to collect the garbage and deliver it to a transfer station at Walton County's landfill. Currently, the landfill is equipped to accept only Class III waste, which includes construction debris, household items, and yard waste but no household garbage. The garbage that has been delivered to the transfer station at the landfill is loaded into trailers and hauled to the Spring Hill Landfill in Jackson County. Waste Management contracted Pritchett Trucking to carry the garbage from Walton County's landfill to Jackson County.

Walton County residents, whether in the municipalities, or the unincorporated areas, are not required to pay for solid waste collection since the adoption of Ordinance No. 94-16, the Small County Surtax Ordinance, a Local Option Sales Tax. The ordinance levied a surtax of one percent throughout the County. The proceeds from this are used to pay for residential solid waste collection and disposal costs for some or all of the dumping fees at the landfill. Based on this premise, when County residents bring solid waste to the Landfill, there is no charge. Commercial customers are required to pay for garbage collection and disposal in addition to paying dumping fees when they bring waste to the landfill.

Scope, Objectives, and Methodology

The review of the Landfill was conducted for the period October 1, 2013 through September 30, 2014. The objective of the review was to determine if the Department's internal controls, collection of fees, and recording of deposits were adequate. Daily transactions were examined as to their appropriateness and accuracy. The application for a grant, and the expenditures which supported it, were also reviewed.

All of the Landfill's September, 2014 deposits, in addition to the related 2,374 scale transactions were examined to ascertain if the fees charged were appropriate, and calculated accurately. Due to the time cycle of the processing of deposits, the actual activity captured in the September accounting period in NaviLine included the last few business days in August, 2014. September was selected because it captured the old manual system and includes transactions occurring under the new manager's purview.



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

INTRODUCTION

Solid Waste Audit

The Landfill implemented an automated recording system in December 2014. Since the Daily Sheet transactions for September, 2014 were still manually compiled, a sample of Daily Sheet transactions was traced back to actual scale transactions to ascertain the accuracy and reliability of the Daily Sheet entries. The sample tested included random selections, as well as those which were selected on a judgmental basis.

Lastly, transactions specific to the Landfill's commercial charge customers were tested to determine if the Department's accounts receivable process captured all of the charges completely and accurately.

Overall Conclusion

Although the manual system of processing Daily Sheets transactions was exceptionally accurate, the examination performed revealed a weakness in capturing all of the charge customers' transactions. Based on the results of the work performed, the Solid Waste Department's controls over the billing of commercial customers' charge transactions appear to be adequate. However, in our opinion, the weakness identified during the audit was corrected with the implementation of the Landfill's new scale house software.

Additionally, there are a number of procedures in practice which have not been formalized in writing, and have not been presented to the Board for approval. The documentation of Landfill's procedures not only serves as a standard for employees to follow, but also minimizes the likelihood that the Landfill will be called into question with regard to its policies and procedures.

Recommended improvements follow which should help strengthen the system of internal controls exercised by the Landfill.

**RECOMMEDATIONS FOR
IMPROVEMENT**



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

RECOMMENDATIONS
FOR IMPROVEMENT

Solid Waste
Audit

1. **Controls for Opening Commercial Accounts could be Improved.**

Frequently, the Landfill is requested to open a customer account so the customer can be billed on a monthly basis for their dumping fees. Internal Audit conducted a review of the Landfill's procedures for establishing a commercial account. Under current practices the Landfill does not determine the credit worthiness of the customer. In addition, they do not require a cash surety deposit that would help reduce delinquent accounts. The Landfill does not apply late fees or penalties to overdue accounts.

As part of the review, Internal Audit noted that the Landfill had a loss from a defunct customer and late payments from other commercial customers. A security deposit would help reduce the risk of an account becoming or remaining delinquent. If the account does become delinquent the County could retain the deposit to cover the amount due.

County Ordinance 87-2 states in part that, a late charge will be instituted on past due accounts agreed upon by the Board and after 60 days turned over to a collection agency. Internal Audit could not find a Board approved late charge. Also, Internal Audit feels that the bills should be given at a minimum of 90 days before sent to collection. The Landfill personal have been able to collect some of the late billings within that time period; however, the landfill has not been collecting a late charge, since the Board had never approved the amount to charge.

Furthermore, a schedule of late fees and penalties for overdue accounts should provide incentive for the company to remain current with charges owed to the County. As a final action the companies dumping privileges could be suspended until the account is made current. Without this measure of controls the County cannot ensure the safeguarding of these assets.

Internal Audit Recommends the Landfill establish controls to enable the safeguarding of the County's assets, and to ensure that billed charges are collected in a timely manner. Management should develop and request the Board approve a mechanism for determining a security deposit, establish late fees and penalties for overdue accounts, and rules for suspension of dumping privileges for grossly overdue accounts.



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

RECOMMENDATIONS
FOR IMPROVEMENT

Solid Waste
Audit

Management's Response:

We currently review aging reports for receivables over 90 days old. Currently, only two accounts totaling \$308.44 are delinquent over 90 days as of 11/12/15. It is our practice to send past due accounts a letter informing them of the past due balance. The letter also states that they are subject to suspension of Landfill privileges unless the account is paid. We do not charge late fees at present but would like to get Board feedback concerning this. In addition, we do not ask for security deposits because accounts receivable for amounts of money owed over 90 days have not been large amounts and we believe that security deposits are not necessary at this time, however we will continue to monitor and adjust as necessary.

2. Dumping (Tipping) Fees are not Clearly or Easily Determined.

Walton County residents are not billed for road side solid waste collection. The Board adopted Ordinance No. 94-16, the Small County Surtax Ordinance, a Local Option Sales Tax to cover the cost of solid waste collection and to offset or replace dumping fees. The County's Code of Ordinances (Code) Sec 17-31(b) requires the charges and fees to be adopted by a Board approved resolution; however, Internal Audit could not find a fee resolution for solid waste since Ordinance 94-16 was adopted. It appears the rates have not been adjusted by resolution in over 20 years.

The Code includes fees to be charged for waste tires and hazardous waste materials. It should be noted that changing these charges and fees will require amending the code or repealing these sections. The Landfill received approval from the Board on March 24, 2015 to change the amount charged for tires; however, since this was not done by an ordinance, the Code still has the old charges enacted by Ordinance 89-08. In addition, the Code requires a charge for special waste and construction waste; but does not address the amount that should be charged. The latest resolution that might have addressed these charges would be Resolution 94-02, which is prior to the surtax enactment.

Internal Audit could not find any reference in the Codes, ordinances, or resolutions as to who is required to pay dumping fees. The County contracted for garbage pick-up which does not require payment from residents for roadside collection. Commercial enterprises are billed for this garbage pick-up. This seems to be the basis for determining who



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

RECOMMENDATIONS
FOR IMPROVEMENT

Solid Waste
Audit

should pay dumping fees also. A resident may dump yard debris at no charge; however, a debris removal company must pay. This is not specifically addressed by resolution and has also resulted in some commercial enterprises claiming that they are dumping debris from their own property when it is obviously not the case. A commercial customer should not be able to forgo dumping fees by claiming it is personal dump. Because of this landfill employees may not be able to properly collect the fees required for dumping. This may also lead to a breakdown of basic controls when scale operators are not on the same page as to payment.

Additionally, it was noted that yard debris constitute a majority of waste that is retained in the County's Landfill. Because of the high cost of developing and maintaining a landfill the County should consider limiting the amount of yard debris that is accepted from a customer for a given time period without charging a dumping fee. This might help eliminate a commercial customer's ability to play the system by claiming a personal dump rather than a business transaction.

Internal Audit Recommends a comprehensive fee resolution be developed which includes all charges for dumping at the landfill. It should also clearly define what is acceptable and who will be required to pay a fee. Internal Audit feels this resolution should also set limits where necessary. Also, an ordinance should be adopted that repeals the existing charges listed in the County Codes. These fees should be included in the recommended resolution so it can be reviewed periodically and changed when necessary.

Management's Response:

Management agrees with Internal Audit recommendations in that an Ordinance could be passed to clarify materials that meet free disposal specifications according to the Sales Tax and current contract requirements, especially as it pertains to vegetative debris, yard waste and other Class III material. Old ordinances and resolutions will be reviewed and amended as needed and a fee schedule adopted in the form of a resolution to allow fees to be adjusted without the need to go through the process to amend an Ordinance.



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

RECOMMENDATIONS
FOR IMPROVEMENT

Solid Waste
Audit

3. An Arrangement with a Local Tire Vendor does not Benefit County.

Based on information obtained during our review, a verbal arrangement exists between the landfill and a local tire vendor. Under this arrangement the Landfill provides the vendor with a dumpster for the disposal of tires removed from County vehicles after the purchase of new tires. Because of this arrangement the Landfill could not ensure that the only tires placed in this dumpster were from County vehicles.

Under this verbal arrangement, when the dumpster is full, a driver from the Landfill picks it up, dumps the contents, and takes the empty dumpster back to the vendor. We could find no evidence that the vendor is ever billed for the tires dumped or that the County received in-kind discounts for providing this service. Since anyone dumping tires must pay, except for amnesty days, this arrangement is neither fair nor equitable to County property owners.

After the tires are received at the landfill, a certain amount of labor is required to handle the tires in addition to storage space necessary until removed. The County currently pays another vendor \$100 per ton to remove the tires from the landfill. Based on this arrangement with the vendor, the County has to cover the cost of the tire disposal.

Internal Audit Recommends that the Landfill notify the vendor that in order to maintain this arrangement, a contract must be entered that provides in-kind discounts for the County. In addition, the vendor must provide assurance that only tires from County vehicles are placed in the receptacle.

Management's Response:

A roll off container was placed at a local tire vendor's location to be used only for tires from County vehicles. The vendor does not charge the County for disposal costs that would be imposed if he disposed of our tires through his tire disposal contractor. Instead, the County's used tires are collected and brought to the landfill and disposed of by the County. This arrangement will be further evaluated to determine if it is beneficial to continue this arrangement or if it should be discontinued.



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

RECOMMENDATIONS
FOR IMPROVEMENT

Solid Waste
Audit

4. Landfill Scale Transactions are Not Always Recorded Consistently.

The Landfill operators process around 100 transactions per day. The customer using the dump has to stop at the scales to be assigned a weight. The vehicle weight along with certain descriptive information about the vehicle and type of waste is entered into the system. After dumping their load, the customer must return to the scale to weigh the empty vehicle. The information entered into the system is retrieved and the empty weight recorded. There is no consistency to the method and type of descriptive information used to track the customer while at the landfill.

The Landfill's scale system has tare weights (empty vehicle) for some commercial trucks stored in its memory. Because the system has the tare weights the vehicle does not have to return to the scales to weigh empty when leaving. This helps eliminate some congestion at the scales during busy days. The landfill could use the system to record all companies and residents that use the dump. They could be assigned a number or record tag numbers in order to eliminate a return trip to the scales. This might help eliminate unpaid dumping as noted in Recommendation 2 above.

It was noted that the scale system had a field labeled 'reference' to record additional identifying information and an unused field labeled 'roll off'. These fields could be used for company names, tag numbers, or a reference (account) number to help track the amount and type of waste that is brought to the dump. Management is doing an excellent job analyzing the information available through the system; therefore, any additional information would help them in determining trends and needs at the landfill.

Finally, Internal Audit noted that certain types of waste are entered differently by the operators. Each operator has certain descriptive terms for the type of waste that is brought to the dump. This is especially evident when it comes to yard waste. The operators are not consistently determining the type waste that is considered yard waste or yard debris. The Landfill needs to develop and implement specific descriptions and meanings for all materials entering the facility and train the operators to be consistent with all garbage. As above, we feel this will help management in identifying and analyzing the waste.



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

RECOMMENDATIONS
FOR IMPROVEMENT

Solid Waste
Audit

Internal Audit Recommends the Landfill meet periodically with Scale Operators to define procedures in order to identify and utilize all of the record keeping capabilities of the new Scale House system. In addition, these procedures should ensure that all waste is classified properly. The system should be used to consistently track and record all waste brought to the facility as well as the customer delivering the load.

Management's Response:

The Landfill is currently recording tare weights on garbage and transport trucks from Pritchett Trucking, Waste Management, and City of DeFuniak Springs. These weights are the heaviest we record and have the greatest impact of our daily volume. These truck weights are consistent on a daily basis and utilizing tare weight is effective and practical for these vehicles. We update tare weights periodically to ensure changes to the vehicle that may have occurred are captured since the last recording. It is not practical to tare weight sporadic traffic because of changing weights due to different materials that may not be on the vehicle each time. Management agrees that we can better utilize field population of information on each customer to help identify and track their presence in the Landfill. We have already begun this process. The material that comes to the landfill for disposal is all Class III material but can be distinguished by type. In the near future we will be disposing of yard debris and land clearing debris in a separate location that will eliminate any confusion. This material will be tracked separately from other Class III material. A procedure will be developed and scale operators will be trained to insure waste is categorized and tracked in a consistent manner by all scale operators.

5. The Board should Approve all Entities Exempt from Dumping Fees.

The Landfill does not require certain entities and organizations to pay dumping fees. It was noted that the Walton Correctional Institute, Florida Highway Patrol, Department of Transportation, South Walton Mosquito Control (tire disposal), in addition to other government entities do not pay dumping fees. However, The Walton County School District is required to pay the fees. Also several local charitable organizations are not required to pay dumping fees.

Also certain Code Enforcement cases frequently request and receive a dumpster to be placed on their property to be used for collection of construction debris generated by a renovation undertaken to comply with a government citation or to remove fire destruction debris. Internal Audit did not locate any Board approval for exemptions from the dumping fees.



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

RECOMMENDATIONS
FOR IMPROVEMENT

Solid Waste
Audit

Although certain exemptions appear to be beneficial to the community, the Board should approve all exemptions by resolution at a minimum.

Internal Audit Recommends that the Landfill submit all exempt entities to the Board for approval in a resolution.

Management's Response:

Management feels we should review all exempt entities to ensure proper clarification with a resolution upon approval by the Board. We will evaluate the entities that are provided exemptions from tipping fees and those who are provided roll off dumpsters to clarify and insure BCC approval for exemptions. A policy will be developed and taken to the BCC for approval.

6. **Private Garbage Haulers Appear to be Operating in Franchise Area.**

Internal Audit determined that certain private garbage haulers are bringing waste to the landfill. It should be noted that the franchise for garbage pick-up was outside the scope of this audit. Although the audit was of the landfill itself, Internal Audit felt this information should be brought to the Board's attention. Landfill staff explained that the haulers service a few coastal areas in the County where conventional garbage trucks cannot physically gain access; or, where residents do not want the conventional trucks, either due to the noise they generate, or, to the aesthetics that might be compromised. The County's franchise is exclusive with Waste Management and does not allow for other entities operating within the franchise area. However, there is no evidence that Waste Management is not being paid for these residents through the franchise agreement.

Internal Audit Recommends (This information has been submitted to County and the Landfill and they are taking immediate action to determine if there is a franchise encroachment) No Recommendation.

Management's Response:

We are aware of some private contractors that perform a supplemental garbage pick-up service for some residents/communities through an agreement for services outside of the Franchise Agreement between Waste Management and Walton County. This is a service that is paid for separately by the residents/communities and it does not increase garbage volume or take any residential customers from the Franchisee.