



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

**Recipient of the Institute of Internal Auditors
Award for Excellence**

Integrity ♦ Objectivity ♦ Independence

**AUDIT OF
INTEGRATED WASTE MANAGEMENT
DEPARTMENT**

**CONTRACT ADMINISTRATION
PROCESS AND CONTROLS**

**For the Period
May 1, 2005 through April 30, 2006**

AUDIT NUMBER: 2591

REPORT DATE: NOVEMBER 29, 2006

Audit Director:	Peter Hughes, Ph.D., CPA
Deputy Director:	Eli Littner, CPA, CIA
Audit Manager:	Michael Goodwin, CPA, CIA
Senior Auditor:	Winnie Keung, CPA

**Audit of Integrated Waste Management Department
Contract Administration Process and Controls**

**For the Period
May 1, 2005 through April 30, 2006**

TABLE OF CONTENTS

Transmittal Letter.....	i
INTERNAL AUDITOR’S REPORT.....	1
EXECUTIVE SUMMARY	3
OBJECTIVES	3
BACKGROUND	3
SCOPE.....	5
CONCLUSION.....	5
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES	6
Management Reviews and Approvals	6
Segregation of Duties - Purchasing	8
Reconciliations.....	9
Policies and Procedures	10
EFFICIENCY/EFFECTIVENESS OBSERVATIONS	12
ATTACHMENT A: Report Item Classifications	14
ATTACHMENT B: Comparison of Landfill Contract Administration Processes.....	15
ATTACHMENT C: Integrated Waste Management Department Management Responses	19



COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT
Recipient of the Institute of Internal Auditors
Award for Excellence

Integrity ♦ Objectivity ♦ Independence

ELI LITTNER
CPA, CIA, CFE, CFS, CISA
DEPUTY DIRECTOR

MICHAEL J. GOODWIN
CPA, CIA
AUDIT MANAGER

ALAN MARCUM
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

Office of the Director
DR. PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475

FAX: (714) 834-2880

EMAIL: peter.hughes@ocgov.com

WEBSITE: www.ocgov.com/audit/

Transmittal Letter

Audit No. 2591

November 29, 2006

TO: Janice V. Goss, Director
Integrated Waste Management Department

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department

SUBJECT: Audit of Integrated Waste Management Department
Contract Administration Process and Controls

We have completed an audit of contract administration processes and controls at the Integrated Waste Management Department (IWMD) for the period May 1, 2005 through April 30, 2006. The final **Internal Auditor's Report** is attached along with your responses to our recommendations.

Please note, we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). As a matter of policy, our **first Follow-Up Audit** will now begin no later than six months upon the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated in our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **second Follow-Up Audit** will now begin at 12 months from the release of the original report, by which time **all** audit recommendations are expected to be addressed and implemented.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a Follow-Up Audit Report Form. Your department should complete this template as our audit recommendations are implemented. When we perform our **Follow-Up Audit** approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

Each month, I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with the IWMD to help implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations.

Additionally, we will request your department to complete a Customer Survey of Audit Services. You will receive the survey shortly after the distribution of our final audit report.

Attachment

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas G. Mauk, County Executive Officer
- Ronald Pierre, Deputy Director, IWMD/Business Services
- Dick Harabedian, Deputy Director, IWMD/North Regional Landfill Operations
- Gary Brown, Deputy Director, IWMD/Central Regional Landfill Operations
- Michael Giancola, Deputy Director, IWMD/South Regional Landfill Operations
- Tonya Burnett, Manager, IWMD/Accounting Services
- Foreperson, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors



COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT
Recipient of the Institute of Internal Auditors
Award for Excellence

Integrity ♦ Objectivity ♦ Independence

ELI LITTNER
CPA, CIA, CFE, CFS, CISA
DEPUTY DIRECTOR

MICHAEL J. GOODWIN
CPA, CIA
AUDIT MANAGER

ALAN MARCUM
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

Office of the Director
DR. PETER HUGHES
Ph.D., MBA, CPA, CIA, CFE, CITP

MAILING ADDRESS:
400 CIVIC CENTER DRIVE WEST
BUILDING 12, ROOM 232
SANTA ANA, CALIFORNIA 92701

TELEPHONE: (714) 834-5475
FAX: (714) 834-2880

EMAIL: peter.hughes@ocgov.com
WEBSITE: www.ocgov.com/audit/

INTERNAL AUDITOR'S REPORT

Audit No. 2591

November 29, 2006

Janice V. Goss, Director
Integrated Waste Management Department
320 N. Flower Street, Suite 400
Santa Ana, CA 92703

We have completed an audit of internal controls and processes over contract administration at the Integrated Waste Management Department (IWMD) for the period May 1, 2005 through April 30, 2006. We conducted our audit in accordance with professional standards established by the Institute of Internal Auditors.

Management of IWMD is responsible for establishing and maintaining a system of internal controls over contract administration. The objectives of an internal control system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. County of Orange Accounting Manual No. S-2 – *Internal Control Systems* prescribes the policies and standards to be followed by departments/agencies in establishing and maintaining internal control systems. Our audit enhances and complements, but does not substitute for IWMD's continuing emphasis on control activities, self-assessment of control risks, and correction or mitigation of control risks identified.

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Accordingly, our audit made for the purpose described above would not necessarily disclose all weaknesses in IWMD's operating procedures, accounting practices and compliance with County policy.

Based upon our audit, **no material weaknesses or significant issues were identified**. However, we did identify **8 Control Findings and 3 Efficiency/Effectiveness issues** resulting in **11 recommendations** to improve controls and processes as noted in the Detailed Observations, Recommendations and Management Responses and Efficiency/Effectiveness sections of this report. See *Attachment A* for a description of Report Item Classifications.

While our report indicates the specific areas where our observations are directly applicable, IWMD **should implement the recommendations in other contract administration processes they find applicable.** An expectation of the Board of Supervisors is that departments and agencies will view this report as a “lesson learned” opportunity to guide them in proactively self-assessing other similar operations or processes.

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of IWMD. If we can be of further assistance, please contact me or Eli Littner, Deputy Director at (714) 834-5899 or Michael Goodwin, Audit Manager at (714) 834-6066.

Respectfully Submitted,



Peter Hughes, Ph.D., CPA
Director, Internal Audit

Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas G. Mauk, County Executive Officer
- Ronald Pierre, Deputy Director, IWMD/Business Services
- Dick Harabedian, Deputy Director, IWMD/North Regional Landfill Operations
- Gary Brown, Deputy Director, IWMD/Central Regional Landfill Operations
- Michael Giancola, Deputy Director, IWMD/South Regional Landfill Operations
- Tonya Burnett, Manager, IWMD/Accounting Services
- Foreperson, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors

EXECUTIVE SUMMARY

OBJECTIVES

The Internal Audit Department conducted an audit of internal controls and processes over contract administration at Integrated Waste Management Department (IWMD). The objectives of our audit were to:

1. Evaluate the adequacy of internal controls over selected contract administration processes at Management Services, Procurement and Planning Services, and the three operating landfills.
2. Compare and contrast contract administration processes at the landfills to determine if processes are performed uniformly and consistently.

Additionally, we would identify areas to improve efficiency and effectiveness related to the above processes as they came to our attention.

BACKGROUND

The mission of IWMD is to meet the solid waste disposal needs of Orange County through efficient operations, sound environmental practices, strategic planning, innovation and technology. IWMD operates the County's waste disposal system comprised of three active landfills, and four household hazardous waste collection centers. IWMD also provides waste collection services for the unincorporated areas of the County, post-closure maintenance at Coyote Canyon landfill and performs monitoring activities at former refuse disposal stations. IWMD operates as an Enterprise Fund. It receives no financial support from the County General Fund as it operates from revenues received from disposal fees charged to landfill customers.

IWMD is comprised of five divisions: Olinda Alpha/North Region Landfill Operations; Frank R. Bowerman/Central Region Landfill Operations; Prima Deshecha/South Region Landfill Operations; Office of Public Affairs, and Business Services. There are five units within Business Services: Management Services, Information Systems, Procurement and Planning, Human Resources and Environmental Services.

Contract administration within IWMD is decentralized. Procurement and Planning Services is responsible for soliciting bids of all contracts and providing contract support services for all divisions. All on-going contract administration, including budget monitoring and payment approval, is performed at each division. Each division administers various types of contracts and agreements, which are described below.

I. Disposal Agreements:

Management Services is responsible for administering Disposal Agreements, which include Waste Disposal Agreements, Importation Agreements, Exclusive Franchise Agreements and Non-Exclusive Franchise Agreements. The following chart details information was obtained as of March 2006:



Disposal Agreements	Number of Agreements	Contracted Entities	Obligations and Rights	Contract Term	Amount Paid to IWMD
Waste Disposal Agreements	47	Cities, Sanitary Districts, Joint Powers Authority and Waste Haulers	To dispose all <u>in-county</u> waste under their control to the Orange County Landfill System.	7 ~ 13 years	Fixed rate of \$22 per ton during the contract term. However, the rate is contingent on the delivery to the Landfill and other four circumstances stated in the agreement.
Importation Agreements	3	Waste Haulers	To deliver a minimum amount of <u>out-of-county</u> waste annually to the Orange County Landfills and either pay a tipping fee, or pay the County for tonnage they do not deliver for the minimum tonnage required.	10 years	Current rates ranging from \$20.63 to \$24.07 per ton. They are subjected to automatic annual adjustment based on the Consumer Price Index.
Exclusive Franchise Agreements	5	Waste Haulers	To provide residential and commercial <u>solid waste collection and disposal services in specific franchise unincorporated areas.</u>	3 ~ 8 years	Annual franchise fees calculated by IWMD.
Non-Exclusive Franchise Agreements	6	Waste Haulers	To <u>collect and dispose temporary waste</u> for residential and commercial in the County's unincorporated areas.	5 ~ 8 years	Annual franchise fees calculated by IWMD.

II. Price Agreements

IWMD has **154 price agreements** with total contract **payments exceeding \$3 million**. Price agreements can either be a commodity or a service contract, and can be a “master” price agreement where all divisions are users. Each division is responsible for submitting requisitions against the master price agreement and for monitoring the expenditures not to exceed their contract amount. There are also “pooled” price agreements where a number of vendors who provide the same type of services share one contract amount.

III. Negotiated Contracts

Negotiated contracts include contracts for Architect-Engineering (A-E), Professional Services (PS) and Public Works (PW). IWMD has **18 A-E, 4 PS and 4 PW** contracts, and the total payments are approximately **\$14 million, \$1.8 million and \$20 million**, respectively. The contracts may be related to the same project (e.g., IWMD may contract with an A-E firm for project design, a public works contract for project construction, and a professional services contract to provide quality assurance services). Because each project is unique and applies to a specific landfill or division; the landfill/division is responsible for monitoring its own contracts.



SCOPE

Our audit was limited to the contract administration controls and processes over selected Disposal Contracts administered in Management Services, and selected Price Agreements and Negotiated Contracts at all three landfills for the period May 1, 2005 through April 30, 2006. We accomplished our audit through inquiry, auditor observation and examination of relevant documentation to assess the adequacy of controls and processes. Our audit did not include a review of contract development, bidding or awarding processes; the payment process involving IWMD/Accounting Services; County-wide master price agreements; IWMD one-time purchase orders or operating leases.

CONCLUSION

No material weaknesses or significant issues were identified. Based upon the objectives of our audit, we found the following:

1. Internal controls over contract administration processes at Management Services and the three Landfills are in place to ensure contracts are managed in accordance with management's authorization and expectations. We note in our report where controls and processes can be enhanced in the areas of management reviews and approvals, segregation of duties, reconciliations and establishment of policies and procedures. See the **Detailed Observations, Recommendations and Management Responses section of this report**.
2. Overall contract administration processes and controls at the three landfills are performed uniformly and consistently in accordance with management's expectations. Operating under a decentralized model, we found that meetings and communication on purchasing and contract issues occurred on a regular basis between IWMD headquarters (i.e., Administration, Planning and Procurement Services) and the landfills.

Each landfill has responsibility for administering various contracts, such as price agreements and negotiated, Board-approved contracts, some of which are shared between the landfills. We noted similar processes and controls are in place over general contract administration, monitoring of budgets, expenditures and contract expiration dates to prevent contract overruns, and reviewing contractor invoices for payment. We also found processes for obtaining contractor quotes, authorizing work requests, and verifying receipt of goods and services were generally performed consistently for price agreements and negotiated contracts. However, we did identify areas where processes can be standardized, which are addressed in the **Detailed Observations, Recommendations and Management Responses and the Efficiency/Effectiveness Observations sections of this report**. See Attachment B: *Comparison Landfill Contract Administration Processes* of our comparison of processes.

3. We noted three areas where effectiveness can be enhanced in the contract administration processes concerning price agreements, monitoring contract payments, and standardization of forms. These are detailed in our report section entitled **Effectiveness and Efficiency Issues**.



DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

The following observations were based on our audit of controls and processes over contract administration at Management Services and the operating three landfills. Our observations and recommendations are categorized into four areas: *Management Reviews and Approvals, Segregation of Duties, Reconciliations, and Policies and Procedures.*

Management Reviews and Approvals

Management/supervisory reviews and approvals are important to ensure transactions are performed in accordance with management's objectives and authorization. IWMD Management has responsibility for determining where reviews and approvals are most critical to ensure operational objectives are achieved and risks are minimized, while considering the cost and benefit of implementing such controls.

Observations

The following areas are where management review and approval should be considered and implemented in Management Services and the Landfills to enhance the contract administration processes:

1. Calculations of Annual Inflation Rates (Management Services)

For *Waste Disposal Agreements*, a Contract Administrator calculates the average annual inflation to determine if IWMD needs to adjust its waste disposal fee. If the average annual inflation rate exceeds 4%, a fee adjustment could be required. Because the amount did not exceed 4%, the Contract Administrator did not submit the calculations for supervisory review.

2. Review of Exclusive and Non-Exclusive Franchise Costs (Management Services)

One element used in calculating franchise costs are IWMD's salaries and benefits. We noted the FY 2005/06 exclusive and non-exclusive franchise costs were immaterially overstated from an error in computed salaries and benefits, which was not detected in the review. It came to our attention that responsibility for reviewing franchise cost calculations was not clearly defined between Management Services and IWMD Accounting.

3. Price Agreement Quote Review (All Landfills)

Senior Project Managers and Site Analysts review the reasonableness of contractor quotes obtained by Project Managers and Staff Specialists for non-routine services; however, the Senior Project Manager's and Site Analyst's reviews are not documented.

4. Negotiated Contracts: Review of Daily Field Reports (South Landfill)

A Construction Manager (CM) is contracted to monitor projects and ensure materials and workmanship conform to plans and specifications. The CM prepares *Daily Field Reports* showing construction progress and compiles materials testing results performed, and submits them to the Senior Project Manager for review. At the South landfill, we noted the review is not consistently performed or documented.



Recommendations

Based on our observations, we recommend the following:

1. Management Services perform documented supervisory reviews of annual inflation rate calculations on Waste Disposal Agreements.
2. Management Services evaluate the impact of the franchise cost calculation error, and designate primary responsibility for reviewing future franchise cost calculations.
3. All Landfill Senior Project Managers and Site Analysts document their review of contractor quotes obtained by Project Managers and Staff Specialists for non-routine services.
4. The South Landfill Senior Project Manager document the review of *Daily Field Reports*. IWMD should evaluate this process at each of the landfills to ensure consistency.

IWMD Management Responses:

1. Concur. Effective immediately, IWMD/Accounting will perform the annual inflation rate calculation to determine if IWMD needs to adjust its disposal rate as required in the Waste Disposal Agreements. IWMD Accounting Manager will approve and forward the calculations to Management Services for their concurrence. A documented supervisory review will be performed by the Manager of Management Services.
2. Concur. Management Services evaluated the franchise cost calculation error and found the impact to be immaterial. Follow-up action will be taken to address this error. Effective immediately, IWMD/Accounting will have the primary responsibility for calculating the franchise costs. Management Services will review and approve the franchise cost calculations as performed by IWMD/Accounting. The desk procedure will be revised accordingly.
3. Concur. A desk procedure will be developed by the Central Region Site Analyst for either the Senior A/E Project Manager or Site Analyst to review and initial a contractor quote before the contractor is notified to proceed with the service or commodity delivery. The desk procedure will be developed by March 2007 and be adhered to by all landfill staff.
4. Concur. The Project Manager at each site has begun to apply a date and reviewed by signature to all daily reports upon completion of the review, prior to filing. In order to ensure consistency at each landfill site, the Deputy Director at each site will verify that all *Daily Field Reports* have been processed accordingly.



Segregation of Duties - Purchasing

Segregation of duties is an important internal control that reduces the risk of erroneous and inappropriate actions. When purchasing goods and services, the duties of placing orders, verifying items received and invoice approval should generally be separated. When these functions cannot be adequately separated, supervisory review of these activities is encouraged as an internal control mitigation activity.

Observations

The following are areas where further segregation of duties is necessary or, as an alternative, supervisory review could be enhanced:

5. Ordering and Receiving Responsibilities (All Landfills)

On certain agreements, Landfill Supervisors place orders, verify the receipt of the items, and certify on the vendor invoice the receipt of the delivery.

6. Site Analyst/Staff Specialist Price Agreement Duties (Central and North Landfills)

The Site Analyst at Central Landfill and Staff Specialist at North Landfill can request, review and authorize vendor cost proposals. Verbal approval is obtained from the Deputy Director which, if documented, would mitigate this issue. Another option is to have Project Managers evaluate and document their review of the cost proposal.

Recommendations

Based on our observations, we recommend the following:

5. Segregate duties of ordering and receiving goods and services. If the functions cannot be segregated, a detailed supervisory review of the purchase transactions should be performed.
6. Central and North Landfills segregate the duties of requesting, reviewing and authorizing vendor cost proposals, or perform a documented supervisory review over those duties.

IWMD Management Response:

5. Concur. A supervisory review of the purchase transactions is performed. Currently, a supervisor telephones in an order, then dispatches a Laborer to pick up the commodities. The supervisor then inventories the commodities upon arrival. For mail delivered commodities, the Staff Specialist opens the carton and compares the packing slip to the contents. A supervisor, other than the one who placed the order, signs "as received" on the invoice when it is circulated for review/approval.
6. Concur. In accordance with the contract, only specific individuals are permitted to request quotes and/or approve Work Authorization Forms. Effective immediately, one person will request a quote and a different person will review the quote and approve the Work Authorization Form.



Reconciliations

Reconciliation is a comparison of one set of data to another, identifying and investigating differences, and taking corrective action when necessary to resolve those differences. This internal control activity helps ensure the accuracy and completeness of transactions.

Observations

The following is where reconciliations of contract payments can be enhanced:

7. Reconciliation of Contract Expenditures to Accounting Records (All Landfills)

Site Analysts at Central and South Landfills maintain spreadsheets to monitor contract expenditures, include outstanding orders, for each vendor to ensure funding is available and to avoid contract overruns. IWMD Accounting also prepares a *Contract Monitoring Worksheet*, which shows actual contract payments by division and total amount, to provide to the landfills. We noted that Site Analysts are not consistently reconciling their spreadsheets to ensure information is properly reflected on both. Our review at South Landfill noted a \$3,000 discrepancy of one contract requisition between the Site Analyst's spreadsheet and Accounting's *Contract Monitoring Worksheet*. At North Landfill, a separate spreadsheet is not maintained, and there is no reconciliation of contract payments to Accounting's *Contract Monitoring Worksheet*.

IWMD is working jointly with the Auditor-Controller to implement an automated purchasing and payables system (IP3) that, when in effect, will make this recommendation no longer applicable because on-line access of contract expenditure reports will eliminate the need to reconcile these records.

Recommendation

7. All Landfills reconcile contract expenditure payments to Accounting's *Contract Monitoring Worksheet* on a regular basis until the IP3 system is implemented.

IWMD Management Response:

7. Concur. During the month of October 2006, a full reconciliation was performed by all three Site Analysts for their respective landfill. Balances were compared as of August 31, 2006 for purposes of implementing the IP3 Project.

Olinda Alpha Landfill (North) has implemented a spreadsheet to monitor all contract expenditures, including outstanding orders.

On a quarterly basis, the three Site Analysts and/or Staff Specialists will perform a reconciliation of their internal tracking spreadsheets against Accounting's Contract Monitoring Worksheets. Any discrepancies discovered will be discussed with IWMD Accounting until expenses and balances are reconciled.

IWMD expects that this reconciliation process will cease upon the implementation of the IP3 system.



Policies and Procedures

Policies and procedures provide guidelines and define responsibilities for new and current staff in performing their required duties.

Observations

We noted the following areas where existing policies and procedures need to have contract monitoring and invoice review responsibilities either established or have duties more clearly defined:

8a. Contract Monitoring

- Waste Disposal Agreements: There was no procedure in place to monitor annual tonnage delivered by waste haulers. Management Services began monitoring actual tonnage delivered during our fieldwork. **(Management Services)**
- Importation Agreements: Minimum delivery requirements vary between waste haulers, and they self-report adjustments to tonnage delivered of the prior month. Monthly Imported Tonnage Reports (MITRs) are used to monitor the tonnage delivered by each waste hauler. We noted the MITR shows net delivery for all haulers and does not show it for each waste hauler. Showing the net tonnage delivered by each waste hauler will better enable IWMD to determine if individual waste haulers have met the minimum tonnage requirement. **(Management Services)**
- Price Agreements: Supervisors in Landfill Operations are authorized to place orders with some vendors after verifying with the Site Analyst that funds are available. Because there are a number of Landfill supervisors who authorize orders, accountability should be established as to who placed and authorized the order. We noted that there was no such written documentation. **(All Landfills)**
- Responsibility for monitoring the contract status of Price Agreements needs to be defined. Because contract administration is decentralized at IWMD, landfills have primary responsibility for monitoring their price agreements. We noted that Site Analysts at Central and North Landfills regularly monitor contract renewal status; however South Landfill relies on Procurement and Planning Services to notify them of the status, whereas Procurement only periodically reminds the divisions to submit a requisition or “rebid” on expiring contracts as staff is available. Therefore, there is potential risk of contract overrun. **(All Landfills and Procurement/Planning Services)**

8b. Invoice Review

- A procedure should be established for verifying labor hours claimed on contractor service invoices. This can be accomplished by verifying contractor hours on the Visitor Logs or establish other tools or documentation for purposes of verifying contractor’s actual hours. **(All Landfills)**
- A procedure should be established for agreeing the scope of work and amounts invoiced to the *Quote Request Forms* or *Work Authorization Forms* to ensure the propriety of the amount billed **(Central Landfill)**
- Responsibilities should be defined for reviewing the contractor invoices for accuracy and completeness. Site Analysts verify services or goods were received, check for proper account coding, and Accounting checks for accuracy of the invoices. It was brought to our attention that the responsibility for ensuring accuracy of the invoice and agreeing amounts to the billable rates needs clarification. **(All Landfills and Accounting)**



Recommendation

8. IWMD evaluate the above areas and determine where policies and procedures should be either established or revised to better define roles and responsibilities in contract administration and invoice review.

IWMD Management Response:

8. IWMD evaluated the above areas and has determined that the following desk procedure should be revised:
 - Importation Agreements:
Concur. The Monthly Imported Tonnage Report has been revised to show net tonnage by individual hauler. The desk procedure will be revised accordingly by February 2007.

The following recommendations will be addressed in the following manner:

- Waste Disposal Agreements:
Concur. The contract administrator will continue to monitor and prepare an annual tonnage report identifying the annual cumulative in-county tonnage delivered to the system. The purpose of the report is to ensure that the annual tonnage targets contained in the Waste Disposal Agreements are met. The report will be provided to the Manager of Management Services for review and approval.
- Price Agreements
Concur. North Region Site Analyst will develop an Order Authorization Form by March 2007 to document landfill supervisor and Site Analyst review and approvals. This form will be utilized at all landfill sites.
- Status of Price Agreements
Concur. Effective immediately, FRB's Site Analyst will distribute his price agreement expiration countdown database to the other landfill Site Analysts. This database will allow the other Site Analysts to effectively monitor the status of their respective Price Agreements.
- Verifying Labor Hours Claimed
Contractors are already required to sign in and out when performing work on the landfill. All landfill Project Managers will continue to direct contractors to sign in and out at the reception area to document time spent on site. The contractor log will be reconciled to the invoice received.
- Agreeing the Scope of Work and amounts invoiced
Effective immediately. Landfill Site Analysts will attach the scope of work and cost estimate to the Work Authorization Form. All invoices will be reconciled to the quote and contractor log. The person authorizing the Work Authorization Form will be different than the person approving the invoice.
- Reviewing the contractor invoices for accuracy and completeness
IWMD/Accounting currently verifies that calculations contained in the invoice are correct and that the work completed is allowable for payment under the Scope of Work. The Site Analysts currently review the invoices to verify that services or goods were received, check for proper account coding and submit the invoice to IWMD/Accounting for payment.



EFFICIENCY/EFFECTIVENESS OBSERVATIONS

One of our audit objectives was to identify areas where efficiencies and effectiveness can be enhanced in the contract administration process. Our audit noted the following observations:

9. Price Agreements – Scope of Work (Central Landfill)

When non-routine repair and maintenance work is needed that is not covered in a Price Agreement, quotes are requested from the contractor. Once approved, a “Work Authorization Form” (Form) is prepared, which details the scope of work and agreed-upon amount, and is issued to the contractor authorizing the work to commence. We noted the information (e.g., the scope of work and estimated cost) were not consistently included on the Forms.

Recommendation

9. Central Landfill evaluate the process for documenting the scope of work and related costs and ensure the information is consistently documented.

IWMD Management Response:

9. Concur. Effective immediately, all Landfill Site Analysts will attach the scope of work and cost estimate to the Work Authorization Form. All invoices will be reconciled to the quote and the Contractor Log.

10. Monitoring of Contract Payments (North Landfill)

- We noted that South and Central Landfill Site Analysts maintain a separate spreadsheet for each vendor, including pooled or shared contracts. The North Landfill Site Analyst does not maintain one and manually calculates expenditures and available balances on some contracts.
- The Site Analyst at North Landfill performs manual calculations to determine the available balance for pooled contracts (when two or more vendors share one contract) based on the *List of Price Agreements* (List) and the *Contract Monitoring Worksheet* prepared by Accounting. However, the contract amount and available balance shown on the List only have the master contract amount and combined expenditures for all divisions. Therefore, the Site Analyst needs to manually calculate the available balance every time when placing an order.

The implementation of the IP3 system should address these two issues.

Recommendation

10. North landfill consider modifying the current procedures to monitor contract expenditures for all contracts until the implementation of IP3.

IWMD Management Response:

10. Concur. Separate spreadsheets for each vendor were recently developed at Olinda Alpha Landfill. The spreadsheets are being used to monitor contract expenses and balances. IWMD anticipates that IP3 will address this issue once it is implemented.

11. Standardization of Forms to Request Contractor Quotes

All three landfills use the same contractor for facility maintenance and repairs. For non-routine work, we noted two landfills use different forms (*Quote Request Form* and *Authorization Form*) to request quotes. South Landfill does not use a form to request quotes; instead, it is obtained verbally or by e-mail.



Recommendation

11. Landfills evaluate the need to standardize tools used to request contractor quotes.

IWMD Management Response:

11. Concur. Effective immediately, all three landfill sites and IWMD Headquarters, when requesting services from Carmody Construction, will utilize the Quote Request Form and Work Authorization Form in use at Central Landfill.



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

- **Material Weaknesses:**

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address “Material Weaknesses” brought to their attention immediately.

- **Significant Issues:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

- **Control Findings:**

Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



ATTACHMENT B: COMPARISON OF LANDFILL CONTRACT ADMINISTRATION PROCESSES

Below is a comparison of contract administration processes at the North, Central and South Landfills. We have categorized our understanding into four areas: **General Administration, Budget/Expenditure Monitoring, Price Agreements and Negotiated Contracts.** We evaluated elements of the process listed in the left column and have references to our recommendations as applicable.

Contract Administration Process	North Region Landfill (Olinda Alpha)	Central Region Landfill (Frank R. Bowerman)	South Region Landfill (Prima Deshecha)	Report Detail & Recommendations
General Administration				
Contract Agreements	Maintained by Planning/Procurement Services and accessible by all contract administrators via Intranet.	Same	Same	None
Support from IWMD Procurement/Planning Services	Planning/Procurement Services provides regular support and weekly meetings on purchasing.	Same	Same	None
Assignment of Contract Administrators	Site Analyst and Staff Specialist from Business Support Services; Landfill Supervisors from Landfill Operations; Architect-Engineer Project Manager from Project/Construction Management and Civil Engineers from Engineering are assigned to monitor corresponding contracts.	Same	Same	None
Monitoring Process in Place to Avoid Contract Overruns	Site Analyst uses <i>List of Price Agreements</i> provided by Accounting to monitor and document the status of expirations and renewals.	Site Analyst created a database to monitor contract status daily and to document the status of contract renewal.	Site Analyst relies on Planning/Procurement Services for monitoring contract renewal status.	See Policies and Procedures – Contract Monitoring: Recommendation No. 8
Communication between Management and personnel at the landfills on contract issues.	Regular and adequate communication occurs. No concerns were identified.	Same	Same	None



Contract Administration Process	North Region Landfill (Olinda Alpha)	Central Region Landfill (Frank R. Bowerman)	South Region Landfill (Prima Deshecha)	Report Detail & Recommendations
Budget/Expenditure Monitoring				
Knowledge of County Policy on Budget Overruns	All staff involved with contract administration was aware of County policy on avoiding overruns.	Same	Same	None
Monitoring Total Contract Payments for Each Division & For IWMD.	IWMD Accounting maintains a <i>Contract Monitoring Worksheet</i> and <i>List of Price Agreements</i> for divisions to monitor total payment processed. These tools are available via IWMD Intranet.	Same	Same	None
Monitoring Contract payments and expenditures at the Landfills.	Site Analyst uses Accounting's reports as a reference, and manually calculates actual expenditures on contracts having greater activity and less available funds remaining.	Site Analyst creates a spreadsheet for each vendor, including pooled/shared contracts. This spreadsheet includes all payments processed and outstanding orders.	Site Analyst creates a spreadsheet for each vendor, including pooled/shared contracts. This spreadsheet includes all payments processed and outstanding orders.	See Efficiency and Effectiveness: Recommendation No. 10
Reconciliation between Landfills and Accounting's Expenditure Reports.	Separate spreadsheet is not maintained. There is no reconciliation of contract payments to Accounting's <i>Contract Monitoring Worksheet</i> .	Site Analyst maintains separate spreadsheet, but reconciliations are not consistently performed.	Site Analyst maintains separate spreadsheet, but reconciliations are not consistently performed.	See Reconciliations: Recommendation No. 7



Contract Administration Process	North Region Landfill (Olinda Alpha)	Central Region Landfill (Frank R. Bowerman)	South Region Landfill (Prima Deshecha)	Report Detail & Recommendations
Price Agreements ~ Commodity and Services				
Number of Price Agreements and Total Payments (as of 3/15/06)	81 \$526,112	96 \$1,191,341	94 \$391,167	
Existence of Written Policy and Procedures	Use the "County Purchasing Manual."	Same	Same	None
Process for Requesting Quotes	Written quote is obtained. Staff Specialist uses an "Authorization Form" to document the request for quote.	Written quote is obtained. Site Analyst uses a "Quote Request Form" to document request for quote.	Project manager obtains quote <u>verbally or by e-mail</u> . No standard form is used to document the request for quote.	See Efficiency and Effectiveness: Recommendation No. 11
Process for Reviewing Quotes	Reviewed by Site Analyst & Staff Specialist.	Reviewed by Site Analyst.	Reviewed by Senior Project Manager and Project Manager.	See Management Reviews & Approvals: Recommendation No. 3
Process for Authorizing Orders and Services	<p><u>For Service Agreements:</u> Staff Specialist or Site Analyst issue and authorize their approval on an "Authorization Form" after obtaining a verbal approval from Deputy Director.</p> <p><u>For Commodity Agreements:</u> Landfill Supervisors, Staff Specialist or Site Analyst are authorized to place the order. Orders are placed verbally.</p>	<p><u>For Service Agreements:</u> Staff Specialist or Site Analyst issue and authorize their approval on an "Authorization Form" after obtaining a verbal approval from Deputy Director.</p> <p>Same process for order commodities.</p>	<p><u>For Service Agreements:</u> Project Manager issues a "Work Authorization Form." The Site Analyst or Site Manager approves the Form.</p> <p>Same process for order commodities.</p>	<p>See Segregation of Duties: Recommendation No. 6</p> <p>See Segregation of Duties: Recommendation No. 5, and Policies and Procedures – Contract Monitoring: Recommendation No. 8</p>
Verification of Service and Orders	Is performed and certified on the invoice.	Same	Same	See Segregation of Duties: Recommendation Nos. 5 and 6
Invoice review process	Is performed to ensure order was received and amount did not exceed budget but did not ensure the billable rate agreed to the contract, nor verified the labor hours charged on the invoice with the sign in log and it is mathematically accurate.	Same	Same	See Policies and Procedures –Invoice Review: Recommendation No. 8



Contract Administration Process	North Region Landfill (Olinda Alpha)	Central Region Landfill (Frank R. Bowerman)	South Region Landfill (Prima Deshecha)	Report Detail & Recommendations
Negotiated Contracts: Architect-Engineering (A-E), Public Works (PW); Professional Services (PS)				
Number of Negotiated Contracts and Total Payments (as of 3/15/06)	A-E = 1 \$471,003 PW = 1 \$1,433,806 PS = 0	A-E = 8 \$6,925,858 PW = 2 \$13,023,308 PS = 1 \$16,200	A-E = 4 \$2,340,083 PW = 1 \$4,905,045 PS = 1 \$0 (No services have been used)	
Existence of Policies and Procedures	<ul style="list-style-type: none"> County Purchasing Manual Architect-Engineer Contract Change Orders, Modifications/Amendment and Dispute Resolution 	Same	Same	None
Process for Work Authorization	All work is formally approved by the Board of Supervisors prior to commencement of work.	Same	Same	None
Process for Monitoring Construction Progress and Quality Assurance	Independently performed by a contracted A-E firm or in-house Engineer to ensure the Contractor is conforming to plans and specifications. "Daily Field Reports" are prepared by Construction Manager and submitted for review by IWMD Project Manager.	Same	Same	See Management Reviews & Approvals: Recommendation No. 4
Change Order Review Process	Process in place to ensure change orders are appropriate and the cost is reasonable.	Same	Same	None
Change Order Approval Process	"Change Order Worksheet Under Department Head Authority" and all supplemental documents are used to document the approval process.	Same	Same	None
Pay Request Review Process	Process in place to ensure: <ul style="list-style-type: none"> Payment is for actual work performed; The line item billed agrees with the "Schedule of Value"; The payment amount does not exceed the budgeted contract amount; and Accuracy of the invoice. 	Same	Same	None





COUNTY OF ORANGE

INTEGRATED WASTE MANAGEMENT DEPARTMENT

Janice V. Goss, Director
320 N. Flower Street, Suite 400
Santa Ana, CA 92703

www.oclandfills.com
Telephone: (714) 834-4000
Fax: (714) 834-4183

November 16, 2006

To: Thomas Mauk
County Executive Officer

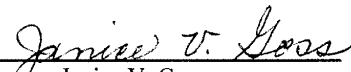
Peter Hughes, CPA
Director, Internal Audit

From: Janice V. Goss, Director
Integrated Waste Management Department

Subject: Audit No. 2591 – Response to Draft Report on Contract Administration Process
and Controls

For your review and approval, please find attached IWMD's response to Audit No. 2591 – Draft
Report on Contract Administration Process and Controls.

If IWMD can be of further assistance in this audit, please contact myself or Rochelle Carpenter
at 714-834-4060.


Janice V. Goss

Attachment

RECEIVED
NOV 20 PM 2:06



Audit No. 2591: Audit of Integrated Waste Management Department Contract
Administration Process and Controls

MANAGEMENT REVIEWS AND APPROVALS

Observations

The following areas are where management review and approval should be considered and implemented in Management Services and the landfills to enhance the contract administration processes:

- **Calculations of Annual Inflation Rates (Management Services)**
For Waste Disposal Agreements, a Contract Administrator calculates the average annual inflation to determine if IWMD needs to adjust its waste disposal fee. If the average annual inflation rate exceeds 4%, a fee adjustment could be required. Because the amount did not exceed 4%, the Contract Administrator did not submit the calculations for supervisory review.
- **Review of Exclusive and Non-Exclusive Franchise Costs (Management Services)**
One element used in calculating franchise costs are IWMD's salaries and benefits. We noted the FY 2005/06 exclusive franchise costs were immaterially overstated from an error in computed salaries and benefits, which was not detected in the review. It came to our attention that responsibility for reviewing franchise cost calculations was not clearly defined between Management Services and IWMD Accounting.
- **Price Agreement Quote Review (All Landfills)**
Senior Project Managers and Site Analysts review the reasonableness of contractor quotes obtained by Project Managers and Staff Specialist for non-routine services; however, the Senior Project Manager's and Site Analyst's reviews are not documented.
- **Negotiated Contracts: Review of Daily Field Reports (South Landfill)**
A Construction Manager (CM) is contracted to monitor projects and ensure materials and workmanship conform to plans and specifications. The CM prepares *Daily Field Reports* showing construction progress and compiles materials testing results performed, and submits them to the Senior Project Manager for review. At the South Landfill, we noted the review is not consistently performed or documented.



Recommendations

- 1) Management Services perform documented supervisory reviews of annual inflation rate calculations on Waste Disposal Agreements.

IWMD Management Response:

Concur. Effective immediately, IWMD/Accounting will perform the annual inflation rate calculation to determine if IWMD needs to adjust its disposal rate as required in the Waste Disposal Agreements. IWMD Accounting Manager will approve and forward the calculations to Management Services for their concurrence. A documented supervisory review will be performed by the Manager of Management Services.

- 2) Management Services evaluate the impact of the franchise cost calculation error, and designate primary responsibility for reviewing future franchise cost calculations.

IWMD Management Response:

Concur. Management Services evaluated the franchise cost calculation error and found the impact to be immaterial. Follow-up action will be taken to address this error. Effective immediately, IWMD/Accounting will have the primary responsibility for calculating the franchise costs. Management Services will review and approve the franchise cost calculations as performed by IWMD/Accounting. The desk procedure will be revised accordingly.

- 3) All Landfill Senior Project Managers and Site Analysts document their review of contractor quotes obtained by Project Managers and Staff Specialists for non-routine services.

IWMD Management Response:

Concur. A desk procedure will be developed by the Central Region Site Analyst for either the Senior A/E Project Manager or Site Analyst to review and initial a contractor quote before the contractor is notified to proceed with the service or commodity delivery. The desk procedure will be developed by March 2007 and be adhered to by all landfill staff.

- 4) The South Landfill Senior Project Manager document the review of *Daily Field Reports*. IWMD should evaluate this process at each of the landfills to ensure consistency.

IWMD Management Response:

Concur. The Project Manager at each site has begun to apply a date and reviewed by signature to all daily reports upon completion of the review, prior to filing. In order to ensure consistency at each landfill site, the Deputy Director at each site will verify that all *Daily Field Reports* have been processed accordingly.



Segregation of Duties - Purchasing

Observations

The following are areas where further segregation of duties is necessary or, as an alternative, supervisory review could be enhanced:

- **Ordering and Receiving Responsibilities (All Landfills)**
On certain agreements, Landfill Supervisors place orders, verify the receipt of the items, and certify on the vendor invoice the receipt of the delivery.
- **Site Analyst/Staff Specialist Price Agreement Duties (Central and North Landfills)**
The Site Analyst at Central Landfill and Staff Specialist at North Landfill can request, review and authorize vendor cost proposal. Verbal approval is obtained from the Deputy Director which, if documented, would mitigate this issue. Another option is to have Project Managers evaluate and document their review of the cost proposal.

Recommendations

- 5) Segregate duties of ordering and receiving goods and services. If the functions cannot be segregated, a detailed supervisory review of the purchase transactions should be performed.

IWMD Management Response:

Concur. A supervisory review of the purchase transactions is performed. Currently, a supervisor telephones in an order, then dispatches a Laborer to pick up the commodities. The supervisor then inventories the commodities upon arrival. For mail delivered commodities, the Staff Specialist opens the carton and compares the packing slip to the contents. A supervisor, other than the one who placed the order, signs "as received" on the invoice when it is circulated for review/approval.

- 6) Central and North Landfills segregate the duties of requesting, reviewing and authorizing vendor cost proposals, or perform a documented supervisory review over those duties.

IWMD Management Response:

Concur. In accordance with the contract, only specific individuals are permitted to request quotes and/or approve Work Authorization Forms. Effective immediately, one person will request a quote and a different person will review the quote and approve the Work Authorization Form.



RECONCILIATIONS

Observations

Reconciliation of Contract Expenditures to Accounting Records (All Landfills)

Site Analysts at Central and South Landfill maintain spreadsheets to monitor contract expenditures, include outstanding orders for each vendor to ensure funding is available and to avoid contract overruns. IWMD Accounting also prepares a Contract Monitoring Worksheet, which show actual contract payments by division and total amount, to provide to the landfills. We noted that Site Analysts are not consistently reconciled their spreadsheets to ensure information is properly reflected on both. Our review at South Landfill noted a \$3,000 discrepancy of one contract requisition between the Site Analyst's spreadsheet and Accounting's Contract Monitoring Worksheet. At North Landfill, a separate spreadsheet is not maintained, and there is no reconciliation of contract payments to Accounting's Contract Monitoring Worksheet.

IWMD is working jointly with the Auditor-Controller to implement an automated purchasing and payables system (IP3) that, when in effect, will make this recommendation no longer applicable because on-line access of contract expenditure reports will eliminate the need to reconcile these records.

Recommendation

- 7) All Landfills reconcile contract expenditure payments to Accounting's Contract Monitoring Worksheet on a regular basis until the IP3 system is implemented.

IWMD Management Response:

Concur. During the month of October 2006, a full reconciliation was performed by all three Site Analyst for their respective landfill. Balances were compared as of August 31, 2006 for purposes of implementing the IP3 Project.

Olinda Alpha Landfill (North) has implemented a spreadsheet to monitor all contract expenditures, including outstanding orders.

On a quarterly basis the three Site Analyst and/or Staff Specialist will perform a reconciliation of their internal tracking spreadsheets against Accounting's Contract Monitoring Worksheets. Any discrepancies discovered will be discussed with IWMD Accounting until expenses and balances are reconciled.

IWMD expects that this reconciliation process will cease upon the implementation of the IP3 system.



POLICIES AND PROCEDURES

Observations

We noted the following areas where existing policies and procedures need to have contract monitoring and invoice review responsibilities either established or have duties more clearly defined:

CONTRACT MONITORING

- Waste Disposal Agreements: There was no procedure in place to monitor annual tonnage delivered by waste haulers. Management Services began monitoring actual tonnage delivered during our fieldwork. (Management Services)
- Importation Agreements: Minimum delivery requirements vary between waste haulers, and they self-report adjustments to tonnage delivered of the prior month. Monthly Imported Tonnage Reports (MITRs) are used to monitor the tonnage delivered by each waste hauler. We noted the MITR shows net delivery for all haulers and does not show it for each waste hauler. Showing the net tonnage delivered by each waste hauler will better enable IWMD to determine if individual waste haulers have met the minimum tonnage requirement. (Management Services)
- Price Agreements: Supervisors in Landfill Operations are authorized to place orders with some vendors after verifying with the Site Analyst that funds are available. Because there are a number of Landfill supervisors who authorize orders, accountability should be established as to who placed and authorized the order. We noted that there was no such written documentation. (All Landfills)
- Responsibility for monitoring the contract status of Price Agreements needs to be defined. Because contract administration is decentralized at IWMD, landfills have primary responsibility for monitoring their price agreements. We noted that Site Analysts at Central and North Landfills regularly monitor contract renewal status; however South Landfill relies on Procurement and Planning Services to notify them of the status, whereas Procurement only periodically reminds the divisions to submit a requisition or "rebid" on expiring contracts as staff is available. Therefore, there is potential risk of contract overrun. (All Landfills and Procurement/Planning Services)

Invoice Review

A procedure should be established for verifying labor hours claimed on contractor service invoices. This can be accomplished by verifying contractor hours on the Visitor Logs or establish other tools or documentation for purposes of verifying contractor's actual hours. (All Landfills)



A procedure should be established for agreeing the scope of work and amounts invoiced to the Quote Request Forms or Work Authorization Forms to ensure the propriety of the amount billed. (Central Landfill)

Responsibilities should be defined for reviewing the contractor invoices for accuracy and completeness. Site Analysts verify services or goods were received, check for proper account coding, and Accounting checks for accuracy of the invoices. It was brought to our attention that the responsibility for ensuring accuracy of the invoice and agreeing amounts to the billable rates needs clarification. (All Landfills and Accounting)

Recommendation

- 8) IWMD evaluate the above areas and determine where policies and procedures should either be established or revised to better define roles and responsibilities in contract administration and invoice review.

IWMD Management Response:

IWMD evaluated the above areas and has determined that the following desk procedure should be revised:

- Importation Agreements:
Concur. The Monthly Imported Tonnage Report has been revised to show net tonnage by individual hauler.

The desk procedure will be revised accordingly by February 2007.

The following recommendations will be addressed in the following manner:

- Waste Disposal Agreements:
Concur. The contract administrator will continue to monitor and prepare an annual tonnage report identifying the annual cumulative in-county tonnage delivered to the system. The purpose of the report is to ensure that the annual tonnage targets contained in the Waste Disposal Agreements are met. The report will be provided to the Manager of Management Services for review and approval.
- Price Agreements
Concur. North Region Site Analyst will develop an Order Authorization Form by March 2007 to document landfill supervisor and Site Analyst review and approvals. This form will be utilized at all landfill sites.
- Status of Price Agreements
Concur. Effective immediately, FRB's Site Analyst will distribute his price agreement expiration countdown database to the other landfill Site Analysts. This database will allow the other Site Analysts to effectively monitor the status of their respective Price Agreements.



- Verifying Labor Hours Claimed
Contractors are already required to sign in and out when performing work on the landfill. All landfill Project Managers will continue to direct contractors to sign in and out at the reception area to document time spent on site. The contractor log will be reconciled to the invoice received.
- Agreeing the Scope of Work and amounts invoiced
Effective immediately, Landfill Site Analysts will attach the scope of work and cost estimate to the Work Authorization Form. All invoices will be reconciled to the quote and contractor log. The person authorizing the Work Authorization Form will be different than the person approving the invoice.
- Reviewing the contractor invoices for accuracy and completeness
IWMD/Accounting currently verifies that calculations contained in the invoice are correct and that the work completed is allowable for payment under the Scope of Work.

The Site Analysts currently review the invoices to verify that services or goods were received, check for proper account coding and submit the invoice to IWMD/Accounting for payment.

EFFICIENCY/EFFECTIVENESS

Observations

Price Agreements - Scope of Work (Central Landfill)

When non-routine repair and maintenance work is needed that is not covered in a Price Agreement, quotes are requested from the contractor. Once approved, a "Work Authorization Form" (Form) is prepared which details the scope of work, and agreed-upon amount, and is issued to the contractor authorizing the work to commence. We noted the information (e.g., the scope of work and estimated cost) were not consistently included on the Forms.

Recommendation

- 9) Central Landfill evaluates the process for documenting the scope of work and related costs and ensures the information is consistently documented.

IWMD Management Response:

Concur. Effective immediately, all Landfill Site Analysts will attach the scope of work and cost estimate to the Work Authorization Form. All invoices will be reconciled to the quote and the Contractor Log.

Observation

Monitoring of Contract Payments (North Landfill)



We noted that South and Central Landfill Site Analysts maintain a separate spreadsheet for each vendor, including pooled or shared contracts. The North landfill Site Analyst does not maintain one and manually calculates total expenditures and available balances on some contracts.

The Site Analyst at North Landfill performs manual calculations to determine the available balance for pooled contracts (when two or more vendors share one contract) based on the List of Price Agreements (List) and the Contract Monitoring Worksheet prepared by Accounting. However, the contract amount and available balance shown on the List only have the master contract amount and combined expenditures for all divisions. Therefore, the Site Analyst needs to manually calculate the available balance every time when placing an order. The implementation of the IP3 system should address these two issues.

Recommendation

- 10) North landfill considers modifying the current procedures to monitor contract expenditures for all contracts until their implementation of IP3.

IWMD Management Response:

Concur. Separate spreadsheets for each vendor were recently developed at Olinda Alpha Landfill. The spreadsheets are being used to monitor contract expenses and balances.

IWMD anticipates that IP3 will address this issue once it is implemented.

Observation

Standardization of Form to Request Contractor Quotes

All three landfills use the same contractor for facility maintenance and repairs. For non-routine work, we noted two landfills use different forms (Quote Request Form and Authorization Form) to request quotes. South Landfill does not use a form to request quotes; instead, it is obtained verbally or by e-mail.

Recommendation

- 11) Landfills evaluate the need to standardize tools used to request contractor quotes.

IWMD Management Response:

Concur. Effective immediately, all three landfill sites and IWMD Headquarters, when requesting services from Carmody Construction, will utilize the Quote Request Form and Work Authorization Form in use at Central Landfill.

