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Review
of
Review of Yard Waste Cart Collection Program –
Waste Management, Inc. and Envirocycle, Inc.

Report of Audit 07/08-XX-07

May 19, 2008



Office of Management and Budget

Internal Audit

MEMORANDUM NO. 08-37

DATE: May 19, 2008

TO: Public Works Director/Albert Carbon
Director of Procurement Services/Kirk Buffington

SUBJECT: *Review of Yard Waste Cart Collection Program – Waste Management, Inc. and Envirocycle, Inc.*

Enclosed is the “subject” Final Report of Audit.



Allyson C. Love
Director, Office of Management and Budget

Attachment - Final Report of Audit No. 07/08-XX-07

c: City Commission
City Manager/George Gretsas
Assistant City Manager/Kathleen Gunn
Assistant City Manager/David Hebert
Assistant City Manager/Stephen Scott
Acting Director of Finance/Joanne Rizi

ACL/am

REPORT OF AUDIT NO. 07/08-XX-07

DATE: March 13, 2008

TO: Public Works Director/Albert Carbon
Director of Procurement Services/Kirk Buffington

FROM: Assistant Internal Audit Director/Renee C. Foley

SUBJECT: *Review of Yard Waste Cart Collection Program – Waste Management, Inc. and Envirocycle, Inc.*

BACKGROUND

The City of Fort Lauderdale (City) entered into a three-year contract on November 1, 2004 with Waste Management Inc. of Florida (WM) to provide collection and disposal services for the City's residential solid waste collection program pertaining to the disposal of garbage and yard waste. For the yard waste program the City has been mandated to recycling objectives of 30% of all collected waste. The City entered into a three-year contract on May 10, 2004 with Envirocycle Inc., (EI) to provide separation recycling and disposal services for bulk trash collection. Contractor (EI) was compensated at a rate of \$39.98 per ton to process and recycle all clean yard waste and \$65.76 per ton for contaminated (mixed) yard waste. To provide WM with a monetary incentive to participate and ensure a successful yard waste recycling program, per Contract, WM agreed to pay 50% of the disposal costs for the higher priced contaminated yard waste loads that were rejected by the recycling facility.

The City currently participates in an Interlocal Agreement with Broward County for Solid Waste Disposal Service requiring that all processable¹ waste is disposed of at one of the two Wheelabrator Waste to Energy Plants located in Broward County. The City's Public Works Department, Sanitation Division, is responsible for the overall administration and management of the solid waste program governed by City Code of Ordinance and Unified Land Development Regulations, Chapter 24 Solid Waste.

¹ The term processable waste is the portion of the solid waste stream, which is capable of being processed in a mass burn resource recovery facility.

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SCOPE

The Public Works Department requested Internal Audit conduct an audit of the residential yard waste cart collection program that involved WM as the service provider and EI as the disposal site and compliance with the Flow Control Ordinance. Public Works informed Internal Audit that monies were due the City from WM as part of the residential yard waste cart collection program, which was disputed by WM. The objective of our review was to determine the accuracy of the invoices billed by/payments to the EI for the service period January 2005 through April 2007; accuracy of invoices billed by the City to WM for the disposal of contaminated loads, payments received and outstanding balance; and determine Contractors' compliance with the Flow Control Ordinance.² Judgmental sampling techniques were used to review transactions for the above service period. The review included interviews, observations of processes and procedures used, and tests of transactions. This review was performed during the months of January and February 2008 according to generally accepted government auditing standards.

OVERALL EVALUATION

Our review revealed Contractor (WM) owes the City a total of \$454,726, which represents the 50% chargeback for higher disposal costs of contaminated yard waste plus an interest penalty for non-payment. The Contractor (EI) could not provide adequate source documentation to show a complete audit trail from receipt of the City's yard waste to disposal of residue waste in accordance with the Interlocal Agreement and the City's Flow Control Ordinance. As a result, the City may not have the opportunity to maximize its annual rebate. Internal controls were not in place to validate the accuracy of invoices received and payments made to the Contractor. Internal controls were not adequate to make sure the Monthly Recycling Report form provided by the City to the Contractor (EI) contained all required mandatory data listed in the Contract Agreement. Also, the City did not receive all reports from the Contractor (EI) and those received were not reviewed for accuracy/completeness. No periodic reviews were conducted to review and rate WM's performance and note deficiencies as required in the Contract Agreement. Furthermore, internal controls were not adequate to

² Flow control ordinances allow governments to require private waste contractors to deliver the curbside garbage they pick up to a specific disposal facility.

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properly administer, track and monitor Contractors' compliance with licenses required to do business.

FINDING 1

WM owes the City \$454,726,³ which represents a 50% chargeback for higher disposal costs of contaminated yard waste plus an interest penalty for non-payment.

Waste Management Inc. of Florida, Contract No. 742-9052, Part II - Technical Specifications/Scope of Services, Section 10. DISPOSAL states, "The City shall pay all disposal costs for garbage and clean yard waste. The Contractor shall pay 50% of total disposal cost for contaminated yard waste loads that are rejected by the recycling facility. Currently 5-10% contamination level has been acceptable. Intent is to provide Contractor incentive to participate and ensure a successful yard waste recycling program." Section 6. PICK UP POLICY states, "...Driver shall inspect the container for contamination before dumping. If the customer has moderately commingled mixed debris (on top) and vegetative waste, the Contractor shall separate the mixed debris from the vegetative waste and collect the yard waste material. Cart shall be tagged informing the customer of problem. If the customer has a considerable amount of mixed debris commingled (throughout the cart) with yard waste or if the customer is using the yard waste cart for garbage, then the cart will not be emptied. Route Supervisor shall contact the customer or tag the cart advising why the cart was not serviced and report address to Customer Service."

Customary interest penalty for late payments is 1% per month (12% annual) similar to that charged for the late payment of Franchise Fees by the Contractors.

Our review of 9 invoices totaling \$505,907 (**Schedule 1**) for the period January 2005 through April 2007 billed by the Sanitation Division to the Contractor (WM) for 50% chargeback for higher disposal costs of contaminated yard waste revealed the total owed to the City is \$454,726. We determined the Contractor (WM) owes these funds based on WM drivers' signatures on Contractor (EI) weight tickets. The process for defining the type of waste consisted of the EI floor spotter and the WM driver determining the load to be "mixed" or "clean" when tipped onto the floor and the WM driver evidencing agreement by signing the weight ticket. WM drivers signed all weight tickets reviewed.

³ \$391,967 past due, plus 1% interest \$62,759.

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WM did not take suggested measures stated in City's letter dated December 8, 2006 such as:

- Checking carts before pick up.
- Using cart hangers and not emptying contaminated cart.
- Educating through customer contact.
- Providing quality control and removing unacceptable items.
- Inspecting loads at EI.
- Reporting problems to Route Supervisor for follow up.

Furthermore, the Route Supervisor should have been contacting customers and/or tagging the carts advising why the cart was not serviced and reporting addresses to Customer Service opposed to continuously accepting mixed loads at curbside and agreeing/consenting that loads delivered to EI were indeed "mixed" evidenced via WM signatures on *all* weight tickets.

Proper due diligence and oversight of mixed load carts will ensure a successful yard waste-recycling program that will result in reduced costs to the Contractor (WM) and the City.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Assistant Public Works Director (APWD)* should:

Recommendation 1. *Require the Solid Waste Superintendent (SWS) to invoice WM for interest owed to date.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will invoice WM for interest owed to date." **Estimated completion date May 15, 2008.**

Recommendation 2. *Issue a certified letter to WM requiring immediate payment of \$391,967 past due, plus interest owed to date.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will issue a certified letter to WM for payment of the past due balance plus interest owed to date." **Estimated completion date May 15, 2008.**

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FINDING 2

The Contractor (EI) could not provide source documentation to show an audit trail from receipt of the City's yard waste at EI⁴ through to the disposal of the remaining residue material by All Service Refuse⁵ at the designated Resource Recovery System facilities according to the Interlocal Agreement and the City's Flow Control Ordinance. As a result, the City may not have the opportunity to maximize its annual rebate.

Envirocycle Inc. Contract No. 792-8112, Exhibit "B," Article 2 – SCOPE OF SERVICES, Section 2.2 states, "...All processable residue materials, not accepted for recycling purposes, shall be disposed at Broward County's North or South Resource Recovery facility." Article 9.12 – COMPLIANCE WITH LAWS states, "Envirocycle shall comply with all federal, state, and local laws, codes, ordinances, rules, regulations, and interlocal agreements in performing its duties, responsibilities, and obligations pursuant to this Agreement."

Interlocal Agreement between City and Broward County for Solid Waste Disposal Service dated March 31, 1987, Article 3, Obligations relating to Operations, Section 3.2 states, "During the duration of this Agreement as defined in Article 16 hereof, the CONTRACT COMMUNITIES and the COUNTY for the unincorporated area shall cause all of the solid waste generated within each of their respective boundaries to be collected, transported, delivered and deposited at the designated receiving facilities of the COUNTY resource recovery system pursuant to the plan of operations as set forth in Section 4.7."

Sixth Amendment to the Interlocal Agreement, Section 6.6 mentions that beginning in FY2001, revenues which are a result of a savings in debt service attributable to the issuance of the bonds shall be distributed to the contract communities in a pro rata amount which represents each contract communities tonnage contribution of processable waste to the resource recovery system (annual rebate).

Letter from the Resource Recovery Board's Counsel dated April 26, 2007 (Exhibit).

⁴ Referred to as "origin."

⁵ Republic Services, Inc. is the parent company to Envirocycle, Inc. and Republic Services of Florida, Limited Partnership d/b/a All Service Refuse. All Service Refuse, provided its sister company EI hauling services.

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Our limited⁶ review to determine compliance with the City's Flow Control Ordinance and the Interlocal Agreement revealed Contractor (EI) and All Service Refuse could not evidence the trail from origin to disposal of residue waste from the City's yard waste program. The following conditions were found.

- EI did not separate City yard waste loads from other customers/municipalities; thus, could not evidence that residue waste hauled by All Service Refuse belonged to the City.
- Residue waste hauled by All Service consisted of various customers; however, was manually entered at the Wheelabrator⁷ facility under one (1) origin. We were unable to determine that tonnage allocated to "Fort Lauderdale" truly originated from the City; thereby, misrepresenting tonnage disposed of which in turn influences the annual rebate received.
- All Service Refuse did not provide their drivers' route sheets to confirm that EI was on a specified daily route, stating that in 2005 these records were not retained.

No procedures were in place to track and monitor the Contractor's (EI) compliance with the Flow Control Ordinance and Interlocal Agreement. Furthermore, by his own admission the legal counsel for EI and All Service Refuse stated "It is impossible to show the trail of only the City's residue waste since it was mixed with others."

Management oversight of Contractor's records to evidence a complete audit trail from origin to disposal of City's waste will enable compliance with agreements and ensure receipt of the maximum annual rebate distributed by the Resource Recovery Board.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *APWD* should require the *SWS* to:

⁶ Our review was limited to tracing a sample of five (5) tickets due to the difficulty and length of time taken to obtain source documentation from All Service Refuse.

⁷ Wheelabrator (North and South) Broward are the designated resource recovery system facilities.

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Recommendation 3. *Require the Contractor to implement a system to track the City's residue waste from origin to disposal at the designated disposal facilities for the Resource Recovery System, such as separating City's residue waste to ensure proof of origin (e.g., separate City container), drivers' route and pick up sheets, Wheelabrator disposal tickets, and any other pertinent documentation to evidence a complete audit trail.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will provide a copy of the final audit report to the Contractor by **June 1, 2008**. A meeting will be scheduled with the Contractor in **June 2008** to discuss the audit findings and to develop a system to track residue waste."

Recommendation 4. *Require the Contractor to provide source documentation periodically (e.g., weekly or monthly) to adequately evidence the City's residue waste from origin to disposal at the designated disposal facilities for the Resource Recovery System.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will provide a copy of the final audit report to the Contractor by **June 1, 2008**. A meeting will be scheduled with the Contractor in **June 2008** to discuss the audit findings and to develop a system to track residue waste. Once the system is developed the City will require the Contractor to provide monthly reports."

Recommendation 5. *Develop a system to track and monitor the Contractor's compliance with the disposal of the City's residue waste at the designated Resource Recovery facilities. Conduct periodic reviews and maintain results on file for audit purposes.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will provide a copy of the final audit report to the Contractor by **June 1, 2008**. A meeting will be scheduled with the Contractor in **June 2008** to discuss the audit findings and to develop a system to track residue waste. Once the system is developed the City will require the Contractor to provide monthly reports."

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FINDING 3

Internal controls were not in place to validate the accuracy of invoices received and payments made to the Contractor.

Our review of truck TARE⁸ weights and scale certification/calibration revealed the following:

Condition	Criteria
Annual TARE weight forms have not been completed for period under review	<i>EI Contract No. 792-8112, Exhibit "B," Article 4 – COMPENSATION, Section 4.2.1 states, "...In the event ENVIROCYCLE's Facility uses RATE weights in its truck scale computer system to calculate tonnage charges for billing purposes, ENVIROCYCLE hereby agrees to assist CITY in verifying such TARE weight. The City Auditor⁹ has suggested that the delivery vehicle is weighed in and out three (3) times and that the average weight be calculated and used by the scale house. This procedure shall be performed annually, using a document initiated by the CITY and supplied to ENVIROCYCLE as the official TARE weight. The CITY's Finance Department will balance the TARE weight with the driver's dump ticket and ENVIROCYCLE's monthly invoice to process payment."</i>
Condition	Criteria
No evidence on file to validate Truck Scale Calibration and Certification	<i>EI Contract No. 792-8112, Section 16. CONTRACTORS RESPONSIBILITY states, "...Contractor shall provide and <u>maintain</u> a scale with an adequate capacity for weighing delivery truck and load." <i>Florida Statutes, Chapter 531 Weights, Measures, and Standards, Section 531.37(1) states, "Weights and measures" means all weights and measures of every kind, instruments, and devices for weighing and measuring, and any appliance and accessories associated with any or all such instruments and devices." Section 531.41(8) states, "Test annually the standards of weight and measure used by any city or county and approve the same when found to be correct and reject same when found to be incorrect."</i></i>

The SWS provided TARE weight forms dated 2001 and since then, none have been completed. Thus, the TARE weights stated on the Contractor's invoices could not be verified. Furthermore, no documentation was available in departmental files to confirm Contractor's (EI) compliance with certification and calibration of the truck weighing scale.

⁸ TARE weight is the weight of an empty vehicle. The weight of goods carried (the net weight) is determined by subtracting the TARE weight from the gross weight.

⁹ Internal Audit Division.

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Enforcement to update truck TARE weights and maintain truck scale calibration/certification annually assures current tonnages are used for each waste load; thereby, ensuring correct amounts are billed to/paid by the City.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *APWD* should require the *SWS* to:

Recommendation 6. *Enforce the requirement for the Contractor to update truck TARE weights on an annual basis. The resultant TARE weights should be stored in the Contractor's scale. A copy of TARE weights and calculations recorded should be forwarded to the Sanitation Division for recordkeeping/auditing purposes.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will require all contractors to update TARE weights on an annual basis beginning **June 1, 2008**. The Sanitation Division will maintain the records for audit purposes."

Recommendation 7. *Require the Senior Accounting Clerk (SAC) to review the accuracy of the TARE rates charged per truck on all Contractor invoices received prior to payment.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will implement a procedure wherein the SAC will review and verify the accuracy of TARE weights on all invoices prior to payment." **Estimated completion date June 1, 2008.**

Recommendation 8. *Enforce the requirement for the Contractor to provide calibration/certification of the truck scale on an annual basis. Copies of the annual State inspections and servicing companies test reports should be forwarded to the Sanitation Division to maintain for recordkeeping/auditing purposes.*

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Management Comment. *Management concurred with the finding and recommendation and stated:* “The Public Works Department will contact the Contractor for the information. The Sanitation Division will maintain the information for auditing purposes.” **Estimated completion date June 1, 2008.**

FINDING 4

Internal controls were not adequate to make sure the Monthly Recycling Report form provided by the City to the Contractor (EI) contained all required mandatory data listed in the Contract Agreement. Furthermore, the City did not receive all reports from the Contractor (EI) and those received were not reviewed for accuracy/completeness.

Envirocycle Inc. Contract No. 792-8112, Exhibit “B,” Article 9 – MISCELLANEOUS, Section 9.2.2 states, “Envirocycle agrees to maintain any and all records as prescribed by Federal, State, and local governing agencies. CITY shall require a monthly Recycling Report, detailing the following information: 1. Total tonnage of material delivered and number of truck loads delivered for the subject month. 2. Total of materials recycled per type or classification. 3. Total tonnage of all materials recycled. 4. Total tonnage and type of Residue Materials (not recyclable). All information in the Monthly Recycling Report shall be on the basis of the short ton of Two Thousand pounds (2000 lbs.) All residue Material tonnage taken to Broward county Resource Recovery facilities shall be reported on the Monthly Recycling Report. The Monthly Recycling Report shall be delivered to the CITY no later than the twentieth (20th) day of the month following the conclusion of deliveries in the previous month. An example of the form of the Monthly Recycling Report is attached hereto as Exhibit “A.””

Our review of 28 Monthly Recycling Reports revealed the following types of exceptions (**Schedule 2**):

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	28 (100%) did not require "Number of Trucks"
	3 (11%) were obtained from EI; City had no record
	10 (36%) contain a variance between the Total of Material Inbound versus Material Recycled and Residue Materials (not recyclable)
	8 (29%) did not evidence the residue material amount taken to a Wheelabrator facility
	3 (11%) were not filed timely (according to the date on the report)
	4 (16%) received were not signed

Monthly Recycling Reports lacked essential information needed to access residual material tonnage delivered to the Broward County Resource Recovery facilities and the number of trucks that delivered the waste. Furthermore, no system was in place to track and monitor receipt of the Monthly Recycling Reports and to verify all required information was included and accurate.

Complete and accurate recycling reports will strengthen the City's accountability and compliance with local ordinances/agreements together with enforcing the recycling obligations of contracted private solid waste collectors.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *APWD* should require the *SWS* to:

Recommendation 9. *Complete a thorough review of the Monthly Recycling Report form to assure that all stipulated contract requirements are inclusive (e.g., number of trucks). Periodic reviews of the Monthly Recycling Reports should be conducted to ensure contract compliance. Results of reviews should be documented and maintained for audit purposes.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Public Works Department will conduct a review of the monthly recycling report for compliance." **Estimated completion date June 1, 2008.**

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Recommendation 10. *Instruct the Recycling Program Coordinator to develop a system to track and monitor receipt, accuracy, and completeness of monthly reports. Inaccurate/incomplete reports should be returned to the Contractor with an explanation for correction and followed through to resolution with a copy provided to the SWS.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “The Public Works Department will develop a system to track receipt of the monthly recycling reports and review for accuracy and completeness.” **Estimated completion date July 1, 2008.**

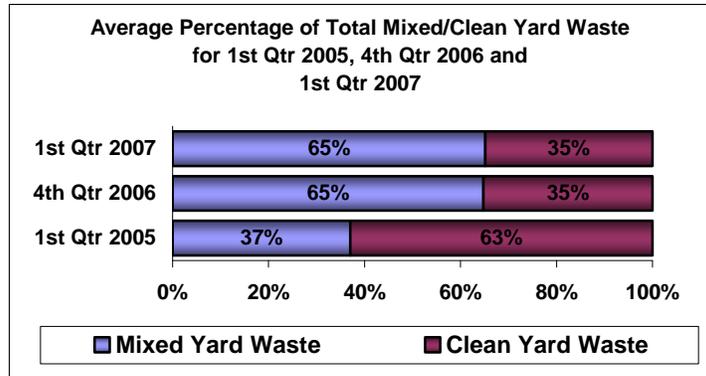
FINDING 5

No periodic reviews were conducted to review and rate WM’s performance and note deficiencies as required in the Contract Agreement.

Waste Management Inc. of Florida, Contract No. 742-9052, Part I-Information/Special Conditions, Section 11. Contractor Performance Reviews and Ratings states, “The City Contract Coordinator shall develop a Contractor performance evaluation report. This report shall be used to periodically review and rate the Contractor’s performance under the contract with performance rating as follows: Excellent – Far exceeds requirements, Good - Exceeds requirements, Fair- Just meets requirements, Poor - Does not meet all requirements and Contractor is subject to penalty provisions under the contract, Non-compliance - Either continued poor performance after notice or a performance level that does not meet a significant portion of the requirements. This rating makes the Contractor subject to the default or cancellation for cause provisions of the contract...” Part II - Technical Specifications/Scope of Services, Section 10. DISPOSAL states, “...Currently 5-10% contamination level has been acceptable.”

Despite a sharp increase in contaminated loads in 2006 and 2007 from 2005, the City did not take the appropriate action to ensure the Contractor’s (WM) performance improved. Weekly Sanitation meetings were held to discuss issues from the prior week; however, they do not capture the overall picture of the Contractor’s (WM) lack of due diligence to ensure a successful yard waste program and reduce the City’s costs for mixed waste.

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The City's Contract Coordinator/SWS did not develop a Contractor Performance Evaluation Report in order to rate the Contractor's (WM) performance and correct deficiencies in the collection/disposal of clean yard waste.

Developing a Contractor Performance Evaluation Report and conducting periodic reviews in a timely manner by rating performance and listing discrepancies found will proactively alert the Contractor (WM) of issues found and provide for issues to be resolved to determine whether contract should be renewed/extended.

RECOMMENDATION 11

The APWD should require the SWS to develop a Contractor Performance Evaluation Report to be used to periodically review and rate the Contractor's performance, listing all discrepancies found during the review period. Furnish the written report to the Contractor for their response/comments and maintain a file copy. The service rating informs the Contractor of how well they are progressing in their work performed, recognizing quality and pointing out poor service, in a timely manner.

MANAGEMENT COMMENT

*Management concurred with the finding and recommendation stated: "The Public Works Department will develop and implement a contractor's (WM) performance review to be issued periodically listing all discrepancies found during the review period." **Estimated completion date August 1, 2008.***

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FINDING 6

Internal controls were not adequate to properly administer, track and monitor Contractors' compliance with licenses required to do business.

Waste Management Inc. of Florida, Contract No. 742-9052 and Envirocycle, Inc, Contract No. 792-8112, Part V-Purchase Order and Contract Terms, Section 5.13 states, "PERMITS, TAXES, LICENSES: The successful Contractor shall, at his own expenses, obtain all necessary permits, pay all licenses, fees and taxes, required to comply with all local ordinances, state and federal laws, rules and regulations applicable to business to be carried on under this contract."

City of Fort Lauderdale Job Description for Solid Waste Superintendent, Section: EXAMPLES OF WORK PERFORMED states, "Prepares and manages contractual service agreements with private companies including the development of technical specifications for the delivery of services."

Our review to determine Contractors' (WM and EI) compliance for licenses revealed insufficient licensure evidence for Contractor (WM). Only the City Certificate of Operation was provided by the SWS (**Schedule 3**).

Procurement Specialist II stated it is the responsibility of the Contract Coordinator to periodically review the Contractor's compliance with the licenses and permits needed. The SWS had no system in place for monitoring all licenses required by the Contractor and in accordance with the contract.

Management oversight of Contractor compliance is crucial to limit the City's liability exposure and provide assurance the City's assets and services are safeguarded.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The **APWD** should require the **SWS** to:

Recommendation 12. *Establish a system to track and monitor Contractors' compliance with all required licenses from commencement of the contract through to maturity.*

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Management Comment. *Management concurred with the finding and recommendation stated:* “The Public Works Department will establish a system to track and monitor Contractor’s compliance with all required licenses.” **Estimated completion date August 1, 2008.**

The *Director of Procurement Services* should require the *Procurement Specialists* to:

Recommendation 13. *The complete list of licenses similar to insurance requirements should be listed on the Invitation to Bid in the future and in the contract file to enable the Contract Administrator and/or an independent reviewer to assess compliance. Furthermore, establish a system to obtain and review all licenses required by Contractors prior to the contract commencement.*

Management Comment. *Management concurred in principle with the finding and recommendation and stated:* “The Procurement Services Department does not have the specific knowledge and cannot determine a list of required vendor licenses for inclusion in Invitations to Bid. The using Department has the responsibility to determine the required vendor licenses as part of the bid specifications. Typically, the Contract Administrator then verifies that proper licensing has been submitted. Here at the City of Fort Lauderdale, the Contract Administration function is done by the using agency. Therefore, it is the using Department’s responsibility to insure that those licenses are current and valid as part of the using Department’s due diligence process of determining vendor responsibility to perform. However, if provided with a list of required vendor licenses, the Procurement Services Department will incorporate the list in Invitations to Bid.” **This item is closed.**

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations.

**Accounts Receivables billed by the City to Waste Management
for the Period 01/10/05 through 04/30/07**

Schedule 1

Item No.	AR Date	Billing Period	Qty of Days in Billing Period	Qty of Days from End of Billing Period to AR Date	AR Number	Amount	Amount Double Billed	Amount Past Due	Total Months Past Due (up to 1/31/2008)	Interest Due (Past Due Amount @ 1% per month up to 1/31/2008)*	
1	08/05/05	01/10/05 - 07/09/05	180	27	AR0500895	\$ 90,878.24		-	-	-	
2	08/10/05	07/10/05 - 07/30/05	20	11	AR0500902	11,531.26		-	-	-	
3	10/14/05	07/11/05 - 10/01/05	82	13	AR0600018	40,820.29	\$ (11,531.26)	\$ 29,289.03	30	\$ 8,786.71	
4	03/08/06	10/24/05 - 01/01/06	69	66	AR0600432	44,618.06		44,618.06	22	9,815.97	
5	05/30/06	01/11/06 - 04/01/06	80	59	AR0600940	57,027.64		57,027.64	19	10,835.25	
6	07/19/06	04/03/06 - 07/01/06	89	18	AR0601107	82,894.87		82,894.87	17	14,092.13	
7	10/11/06	07/03/06 - 09/30/06	89	11	AR0700102	63,816.11		63,816.11	14	8,934.26	
8	01/10/07	10/01/06 - 12/31/06	91	10	AR0700555	45,853.57		45,853.57	12	5,502.43	
9	05/10/07	01/01/07 - 04/30/07	119	10	AR0701263	68,467.37		68,467.37	7	4,792.72	
						Total Billed	\$ 505,907.41	\$ (11,531.26)	\$ 391,966.65		\$ 62,759.46
						Less Double Billed	(11,531.26)				
						Adjusted Total Billed	\$ 494,376.15				
						Total Paid (Item 1-2)	(102,409.50)				
						Total Due	\$ 391,966.65				
									Grand Total		
									\$ 454,726.11		

Legend:

*	Customary interest for late payment is 1% per month (12% annual) similar to that charged for the late payment of Franchise Fees by the Contractors.
	Depicts 20% Sample invoices tested/verified with weight tickets.

Note:

Various inconsistencies occurred with invoicing Waste Management; the billing periods ranged from 20 to 180 days. Furthermore, there was a time lag from the end of the billing period to the date the AR was produced ranging from an acceptable 10 days to an unacceptable 66 days.

Review of Waste Management/Envirocycle - Envirocycle's Recycling Credit Reports aka Monthly Recycling Reports (MRR)

Per Report							Per IA			
Month	Material Delivered - Inbound (in Tons)	# of Truck Loads Delivered	Residue Materials (not recyclable)			Report Date	Report Submitted Timely? Yes/No	Variance in Total of Material Inbound versus Recycled (in Tons)	City's copy of report signed? Yes/No	
			Recovered Material Residue (in Tons)	Unprocessable Material Residue (UMR)	Wheelabrator* (in Tons)					
January-05	3,290.90	This category was not listed on MRR form provided by City in Exhibit 'A'	2,710.85	This category was not on MRR	47.08	2/7/2005	Yes	0.00	No	
February-05	2,856.60		2,204.44		41.69	3/12/2005	Yes	0.00	No	
March-05	3,217.56		2,195.97		41.39	4/16/2005	Yes	0.00	No	
April-05	3,398.39		2,438.08		ND	5/2/2005	Yes	0.00	Yes	
May-05	3,827.89		3,023.62		ND	6/2/2005	Yes	0.00	Yes	
June-05	4,445.80		3,556.59		ND	7/15/2005	Yes	0.00		
July-05	4,373.11		3,352.43		39.98	8/15/2005	Yes	0.00	Yes	
August-05	3,769.98		3,011.34		32.79	9/15/2005	Yes	0.00	Yes	
September-05	2,968.37		1,994.95		16.73	10/13/2005	Yes	0.00	Yes	
October-05	3,834.06		3,053.17		36.18	11/16/2005	Yes	0.00	Yes	
November-05	378.56		-		ND	12/16/2005	Yes	330.88	Yes	
December-05	953.30		-		ND	1/16/2006	Yes	760.77	Yes	
January-06	4,445.83		-		ND	2/13/2006	Yes	3534.83	Yes	
February-06	3,972.12		3,319.64		28.82	3/15/2006	Yes	0.00	Yes	
March-06	4,018.72		3,319.64		9.27	4/15/2006	Yes	(104.92)	Yes	
April-06	3,853.00		3,319.64		ND	5/15/2006	Yes	(246.64)	Yes	
May-06	3,909.36		3,132.36		32.41	6/16/2006	Yes	(17.00)	Yes	
June-06	4,174.00		3,369.00		30.97	7/22/2006	No	0.00	Yes	
July-06	3,666.00		2,888.00		36.28	8/16/2006	Yes	0.00	Yes	
August-06	3,327.11		2,545.59		ND	9/15/2006	Yes	0.00	Yes	
September-06	3,434.55		2,598.22		33.11	10/5/2006	Yes	0.00	Yes	
October-06	2,936.86		2,189.53		37.00	11/13/2006	Yes	0.00	Yes	
November-06	2,901.13		2,189.53		29.00	12/15/2006	Yes	(19.40)	Yes	
December-06	2,631.59		2,154.53		35.00	1/15/2007	Yes	(259.94)	Yes	
January-07	2,438.31		This category changed to UMR		1665.06	42.00	2/15/2007	Yes	0.00	No
February-07	2,307.07				1575.07	39.00	3/9/2007	Yes	(39.00)	Yes
March-07	2,613.07				1813.00	21.45	5/12/2007	No	0.00	
April-07	2,601.73				1575.07	18.78	5/21/2007	No	276.04	
Totals	90,544.97	100%	58,567.12	6,628.20	648.93 ND = 8	-	NO = 3 11%	4215.62	NO = 4 14%	

Legend:

	28 (100%) of 28 reports did not require "Number of Trucks"
	3 (11%) of 28 reports were obtained from EI, City had no record
	10 (36%) of 28 reports contain a variance between the Total of Material Inbound versus Material Recycled and Residue Materials (not recyclable)
	8 (29%) of 28 reports did not evidence the residue material amount taken to a Wheelabrator facility
	3 (11%) of 28 reports were not filed timely (according to the date on the report)
	4 (16%) of 28 reports received were not signed
*	From Jan-05 through to Dec-06, this number was not on the Monthly Recycling Report but on a letter sent by Envirocycle each month
ND	Not Documented

**Schedule of Licenses and Permits held by Waste Management, Inc. and
Envirocycle, Inc. for the period 2005 - 2007**

Type of License	Maintained in Solid Waste Superintendent Files?	Obtained from Waste Management and Inc. Envirocycle	
Solid Waste Management License			
Broward County Occupational License			
Business Tax License (formerly Occupational License) where City business is located			
Type of License	Maintained in Solid Waste Superintendent Files?	Waste Management	Envirocycle Inc.
City of Fort Lauderdale - Certificate of Operation			N/A
Department of Environmental Protection Permit		N/A	
State of Florida - Recovered Materials Dealer Certification		N/A	
Broward County Hazardous Material Management Facility License		N/A	
State of Florida- Department of Health- IM Zone Operating Permit		N/A	
State of Florida- Department of Health- Onsite Sewage Treatment and Disposal Systems Operating Permit		N/A	

Legend:

 Not applicable during this period.

✓M

Eugene M. Steinfeld

ATTORNEY-AT-LAW

BOARD CERTIFIED
CITY, COUNTY, LOCAL GOVERNMENT LAW
580 PEBBLE CREEK WAY • PLANTATION, FLORIDA 33324
(954) 972-8832 • FAX: (954) 474-1572

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CITY ATTORNEY'S OFFICE
07 APR 30 AM 10:13

April 26, 2007

Mr. Harry Stewart, Esquire
City Attorney
100 North Andrews Avenue
Ft. Lauderdale, Florida 33301

Dear Mr. Stewart,

This letter is in furtherance of our meeting of last month between the staff of the City of Fort Lauderdale responsible for solid waste collection, yourself and the Executive Director of the Resource Recovery Board, and the undersigned.

I explained to you at the above meeting that I would remit the legal position of the Resource Recovery Board regarding our discussion in writing. Please accept this letter as same.

In 1987 the City of Fort Lauderdale entered into an Interlocal Agreement pursuant to Ch 163 of the Florida Statutes and subsections (12) and (15) of section 403.706 of the Florida Statutes.

Section 3.2 of the above Interlocal Agreement provides as follows:

“During the duration of this Agreement as defined in Article 16 hereof, the CONTRACT COMMUNITIES and the COUNTY for the unincorporated area shall cause all of the solid waste generated within each of their respective boundaries to be collected, transported, delivered and deposited at the designated receiving facilities of the COUNTY resources recovery system pursuant to the plan of operations as set forth in Section 4.7.”

In furtherance of the above the City of Fort Lauderdale enacted an ordinance requiring all solid waste be disposed of in accordance with the plan of operations as approved by the Resource Recovery Board.

It has come to the attention of agents of the Resource Recovery Board that solid waste, specifically, residue destined for disposal generated at Envirocycle, Inc., within the City of Fort Lauderdale is being disposed contrary to the above provision, and the

ordinance of the city.

(As I had indicated during our meeting, materials received by Envirocycle, Inc. for recycling, are not considered to be solid waste no matter where they originate until they are destined for disposal within the City of Fort Lauderdale. See section 403.703, subsections (5) (7) and (13) of the Florida Statutes.)

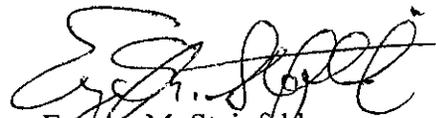
The above has caused economic loss not only to all communities a part of the 1987 Interlocal Agreement, but especially to the City of Fort Lauderdale. The City's share of the annual rebate distributed by the Resource Recovery Board is based upon tonnage disposed from within the City, thus the share of the City of Fort Lauderdale has been lessened.

Envirocycle, Inc. has continued to violate the ordinance of the City notwithstanding the Resource Recovery Board's attempts to ensure compliance with both the flow control ordinance of the City of Fort Lauderdale and the applicable section of the 1987 Interlocal Agreement.

In light of the above, the Resource Recovery Board requests the assistance of your office in ensuring the City of Fort Lauderdale enforces its solid waste flow control ordinance to ensure that the City is in compliance with the 1987 Interlocal Agreement.

Please contact me at (954) 972-8830 or (954) 224-2617 (cell) to discuss resolution of this matter.

Very truly yours,



Eugene M. Steinfeld
Counsel,
Resource Recovery Board