



OFFICE OF INTERNAL AUDIT

REPORT TO THE BOARD OF SUPERVISORS

Pinal County Landfills and Other Disposal Facilities Follow-up Review

October 2011

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In November, 2010, the Pinal County Office of Internal Audit (Internal Audit) released the Public Works Landfills and Other Disposal Facilities audit and concluded internal controls over the administration of landfills and disposal facilities could be improved. Internal Audit identified internal control or administrative weaknesses in the following areas:

- Assignment and division of responsibilities for comprehensive administration of landfill leases, property sales, and private landfill agreements
- Proper award, administration and oversight of landfill leases/sale and other disposal activities
- Oversight and monitoring of tipping fee rates and collections

Internal Audit completed a follow-up review of the Public Works department's response to the audit recommendations and determined the department completed all twelve (12) recommendations discussed in the report.

The following matrix provides details of verified progress. We would like to thank Development Services and the Public Works Department for their assistance during our follow-up review.

Lori Stripling
Pinal County Internal Audit Officer

**Tipping Fees – Landfill Follow-up Audit
Management’s Response and Action Plan Status
September 2011**

Audit Recommendation	Concur (Y/N)	Management’s Response and Action Plan	Target Date	Individual (s) Responsible	Public Works Follow Up Response	Internal Audit Follow-Up
<p>1. <i>The County Manager should assign responsibility to the Assistant County Manager for Development Services, and/or other member of County management for administration of landfill and transfer station leases, property sales, and private landfill agreements.</i></p>	<p>Yes</p>	<p>The County Manager (CM) should provide clear direction to the Assistant County Manager for Development Services (ACM/DS) for the responsibility of administration of landfill and transfer station leases and private landfill Development Agreements.</p> <p>Public Works Solid Waste Department dismantled 10 years ago.</p> <p>Property sales should be the responsibility of the Assistant County Manager for Administrative Services (ACM/AS) for disposition of properties.</p>	<p>June 2011</p>	<p>CM; ACM/DS; Public Works (PW) Director</p>	<p>Development Services - PW will manage all landfill operations</p>	<p>COMPLETE</p> <p>Management for landfill operations was assigned to Development Services - PW</p> <p>Confirmed via letter dated 8/10/2011 from CM/ACM-DS/PW Director</p>

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2. <i>The County Manager should ensure recommendations #3 through #12 are directed to the appropriate County office, based on assignments resulting from recommendation #1.</i>	Yes	Clear direction as to the assignment of responsibilities for #3 thru #12 to the appropriate department is necessary.	June 2011	County Manager; ACM/DS; Public Works Director; Finance; Budget	See follow up responses below	COMPLETE

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<p>3. <i>The Assistant County Manager for Development Services should ensure a properly awarded lease is in effect for the Dudleyville landfill to ensure continuity of that operation after the sale of the Ironwood landfill.</i></p> <p><i>Any new lease negotiated should fully comply with Arizona Revised Statute 11-256 regarding appraisals and other requirements for awarding a lease.</i></p>	Yes	Concur with Action plan with assistance from the County Attorney for legal review of the current lease(s).	June 2011	ACM/DS; County Attorney’s Office	The BOS approved the sale of the Ironwood landfill on 6/22/2011. An amended lease was also approved. Both were legally reviewed and approved via the County’s agenda system (NOVUS)	<p>COMPLETE</p> <p>Board of Supervisors (BOS) approved sale of the Ironwood Landfill on June 22, 2011 (per resolution # 062211-AD10-017)</p> <p>BOS approved lease amendment for Dudleyville (AD# 10-018)</p> <p>A legal review of all lease documents was performed and verified via NOVUS</p> <p>Waste Management provided documents to show original landfill sale and lease process was conducted according to statutes.</p> <p><i>Note - The property appraisal for the Ironwood landfill was based on a valuation of leased fee ownership due to a long-term (25-year) lease with United Waste Systems. Lease payments for the property were \$852.08 per month and included lease payments for a second landfill in Dudleyville. The Ironwood property lease portion was approved at 74% or \$630.53 per month. Because the long-term lease encumbered the property, the final reconciliation of property value relied on the lease value using the income capitalization approach. The property was sold to the leaseholder for \$110,000.</i></p>

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<p>4. <i>The Assistant County Manager for Development Services should require an independent documented appraisal /valuation of the Dudleyville landfill, and a legal review, prior to sale of the landfill.</i></p>	Yes	<p>ACM/AS review of county owned land lease administration, BOS policy determination to sell property with an appropriate buyer and land disposal with assistance from the County Attorney’s office for legal opinion.</p>	December 2011	ACM/AS; ACM/DS County Attorney’s Office	(Management response 8/10/2011 letter to Internal Audit Officer)	<p>COMPLETE</p> <p>The Dudleyville Landfill is not for sale at this time. The ACM/DS responded “Public Works will comply with this recommendation should Dudleyville be offered for sale.”</p>
<p>5. <i>The Assistant County Manager for Development Services should require regular monitoring of lease payments and assessment of late fees when payments are not submitted timely.</i></p>	Yes	<p>Director of Public Works will identify specific individuals to monitor lease payments and assess late fees when required.</p>	January 2011	ACM/DS; Public Works Director /Department	<p>The Public Works Administrative Branch has been given access to the appropriate accounting system to monitor lease payments. Quarterly reviews will be conducted to ensure financial compliance with the lease.</p>	<p>COMPLETE</p> <p>In July, 2011 the Public Works department assumed comprehensive responsibility for lease payment reconciliation including billing, receiving, recording and quarterly payment reviews. Public Works has assigned a fund and Cost Center for Cactus Waste Systems (206/2640) to record lease payments.</p>

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6. <i>The Assistant County Manager for Development Services should require the contractor to maintain and provide documentation of required insurance.</i>	Yes	Assuming Public Works is the appointed Department to address insurance compliance, and a budget is established to perform the duties, the Public Works Director will establish procedures and specific individuals to monitor the leaseholder insurance requirements.	July 2011	ACM/DS; Public Works Director	Waste Management has submitted current Insurance Certificates for Ironwood and Dudleyville landfills. These were reviewed by Risk Management and the Attorney’s office; and the policy limits exceed those required by the lease.	COMPLETE Received and reviewed copies of the Certificates of Liability Insurance for the landfills, provided by the Pinal County Risk Manager.
7. <i>The Assistant County Manager for Development Services should require careful monitoring of quarterly tipping fee payments to ensure they are accurate and received timely</i>	Yes	The Public Works Department is predominantly funded by restricted HURF Funding that constrains use of staff/material. Will request Budget Consideration for General Fund to assist Public Works in administering and monitoring tipping fee payments.	July 2011	ACM/DS; ACM/AS; Public Works Department; Budget Department	Public Works Administration has access to the financial system the receipts these payments. Quarterly reviews will be conducted to ensure compliance.	COMPLETE Public Works has set up a fund and cost center for fee remittance in the Financial system, and the department has developed a manual quarterly review process.

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8. <i>The Assistant County Manager for Development Services should require annual review of the contractor’s records to ensure tipping fees collected by the County are accurate.</i>	Yes	ACM/DS and Public Works Director will establish budget requirements to use a combination of in-house and contract personnel to assist in establishing a program for annual review.	July 2011	ACM/DS; ACM/AS; Public Works Department; External Consultant	The waste stream volumes reported to ADEQ and the County are in agreement. During the fulfillment of the data request by Republic Services, an underpayment of \$26,292.29 was discovered. This payment was received May 10, 2011.	COMPLETE An annual review has been conducted. In the future, an annual review will be conducted by the Public Works department to ensure tipping fees remitted are reconciled to tonnage reported to ADEQ.
9. <i>The Assistant County Manager for Development Services should periodically review tipping fee rates to determine if they should be renegotiated and adjusted. We suggest Public Works consider any changes in fees charged by the contractor to the public, when performing this analysis.</i>	Yes	Same as above	July 2011	ACM/AS; ACM/DS; Public Works Director;	Republic Services purchased the Cactus Landfill in 2007. Historical tipping fee rates have been obtained from Republic Services and will be analyzed.	COMPLETE Fees have been obtained: 2007 -\$20.00 2008- \$21.00 2009- \$22.00 2010- \$23.50 An analysis of fees was completed. Host tipping fees were increased by 10% based on fee analysis.

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<p><i>10. The Assistant County Manager for Development Services should, after obtaining a legal opinion, establish a proper lease for County land in use at the Oracle Transfer Station.</i></p>	<p>Yes</p>	<p>ACM/DS working in conjunction with County Attorney’s Office and ACM/AS</p>	<p>July 2011</p>	<p>ACM/DS; Public Works Director; County Attorney’s Office</p>	<p>Per PCR document 1995-035148 an Irrevocable Access License was granted to United Waste Systems (and heirs, successors, and assigns) for the 2.88 acres surrounding the Oracle Transfer Station and the 50-foot ingress and egress Access Easement.</p> <p>This grant of access was referenced in the Oracle Transfer Station sale documents and was reviewed, and approved, by the (County) Attorney’s office.</p>	<p>COMPLETE</p> <p>Confirmed the September 11, 1995 Real Estate Purchase Contract (PC Recorder Doc # 1995-028606) for Oracle Transfer Station did include an irrevocable license for access over county land and for use of county land surrounding United Waste property.</p> <p>The County Attorney’s Office reviewed and approved the contract.</p>

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<p><i>11. The Assistant County Manager for Development Services should review all disposal facilities within the County to determine if there are other operations on County property without benefit of a lease, and take appropriate action (lease or sale) to correct any similar circumstances.</i></p>	Yes	<p>Public Work Director will establish budget requirements to use a combination of in-house and contract personnel to assist in establishing a program for review of all county leased property.</p>	December 2011	Public Works Director; ACM/DS; ACM/AS	<p>The Oracle Transfer Station was the only potential facility identified.</p>	<p>COMPLETE</p> <p>A review was conducted by the Public Works property manager</p>
<p><i>12. The Director of Public Works should verify insurance maintained by the Environmental Concerns Organization in Maricopa, AZ meets all requirements of the lease.</i></p>	Yes	<p>Assistance from ACM/DS, Public Works Director will verify necessary insurance per current lease agreement.</p>	December 2011	ACM/DS; Public Works Director	<p>The current policy in effect was reviewed by Risk Management and the Attorney’s office and was found to be satisfactory.</p>	<p>COMPLETE</p> <p>Internal Audit received copies of current insurance certificates from Risk Management.</p>