



Internal Audit Department

Audit Report 2013-7

Wastewater Department

Southern Sanitation Invoices

Dwight E. Brock
Clerk of the Circuit Court

3299 Tamiami Trail East
Suite #402
Naples, FL 34112-5746

www.collierclerk.com

Issued: September 18, 2013

Prepared by: Patrick Blaney, Senior Internal Auditor

Report Distribution: Board of County Commissioners
Leo Ochs, Jr., County Manager
George Yilmaz, Public Utilities Administrator
Joseph Bellone, Director of Operations Support
Beth Johnssen, Interim Director of Wastewater
Jeff Klatzkow, County Attorney
Mark Isaacson, Office of Management and Budget (OMB) Director

Cc: Dwight E. Brock, Clerk of the Circuit Court
Crystal K. Kinzel, Director of Finance & Accounting

TABLE OF CONTENTS

| | |
|---|---|
| OBJECTIVE | 2 |
| SCOPE | 2 |
| BACKGROUND | 2 |
| SUMMARY | 3 |
| OBSERVATION, RECOMMENDATIONS & MANAGEMENT RESPONSE..... | 4 |
| CONCLUSION..... | 6 |

The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin (Aug. 28, 1998 DCA of FL, 5th District)* and section 119.0713, Florida Statutes. Workpapers supporting the observations noted within this report are public record and can be made available upon request once the final audit report has been issued.

Internal Audit provided draft Audit Report 2013-7 (formerly report 2012-5) to the Wastewater Department for management response on April 9, 2013. Joseph Bellone, Operations Support Interim Director, provided management responses on April 25, 2013, and revised responses on June 3, 2013.

Objective

The objective of the engagement was to determine whether Southern Sanitation, Inc., properly invoiced the Wastewater Department for grease pumping and disposal.

Scope

The review consisted of, but was not limited to, the following tasks:

- Interviewing the citizen who requested this review and perusing the documents that were provided;
- Researching applicable Florida Statutes and Division of Corporations records;
- Reviewing pertinent correspondence and emails;
- Analyzing bid documents and contracts;
- Reviewing purchase orders in SAP;
- Examining selected invoices and their respective check files;
- Reviewing County Manager Agency procedures (CMA's);
- Reviewing applicable portions of the 2009 Collier County Utilities Standards Manual;
- Reviewing current grease and sewage hauling standard operating procedures (SOP's);
- Interviewing Public Utilities management; and
- Interviewing grease hauling contractors.

Background

The Board of County Commissioners (BCC) awarded Bid 07-4191 for “Emergency and Scheduled Sewage Hauling” to Southern Sanitation, Inc., effective November 13, 2007. Bid 07-4191 sought hourly rates for emergency and scheduled grease and sewage hauling. The Bid specified that the successful bidder would be required to own or have immediate access to at least five (5) sewage hauling tankers, anticipating that the successful bidder may subcontract some work. Southern Sanitation submitted the lowest responsive bid of \$250 per hour for both emergency and scheduled hauling. In July 2008 the Purchasing Department extended Southern Sanitation’s contract to November 12, 2009.

In addition to being awarded Bid 07-4191, Southern Sanitation submitted estimate 471, dated 4/20/2009, for “Clean Master Liftstation Pump Truck Service.” This estimate was “Per Master liftstation with Disposal fee for cleaning every 5/6 days or Weekly. Clean Grease Mat and debris from Master Liftstation and transport material to Broward County Septage receiving facility. Price reflects 1 truck load of grease per liftstation transported to Broward County.” The estimate specified lift station 107 and a price per cleaning of \$5,455.00. The estimate further stated in bold: “VAC-CON TRUCK WILL BE \$2000.00 ADDITIONAL PER CLEANING IF GREASE AND DEBRIS MAT IS UNABLE TO BE VACUUMED DIRECTLY INTO PUMP TRUCK. A 1 TIME FEE OF \$1075.00 IS REQUIRED FOR DPEP (sic) PERMIT AND BROWARD WASTE TRANSPORT LICENSE FOR DISPOSAL.”

In June 2012 a citizen contacted the Clerk of the Circuit Court to request that he look into a payment made for the Wastewater Department in 2009. The citizen alleged that one Wastewater Department vendor overbilled for grease hauling and disposal during May 2009. The allegations involved invoices that did not comport with contract terms, excessive hours charged for work, and concurrent billing for hours spent on separate jobs on the

same dates. The Clerk directed the Internal Audit Department to pursue the citizen's allegations and to review other transactions with that vendor for reasonableness.

Summary

This examination generated the following observation:

- Two Southern Sanitation, Inc., invoices were not in accordance with contract terms.

Control of Wastewater expenses in 2009 would have benefited from more department oversight and detailed documentation to validate the accuracy of invoices.

Observation

1) Two Southern Sanitation, Inc., invoices were not in accordance with contract terms.

The Wastewater Department received Southern Sanitation submitted invoices 5878 and 5879-1 for cleaning lift stations 107 and 302, respectively, in July 2009. Both invoices were dated 5/1/2009, even though later invoice submittals indicated that the work was performed during May 2009. Invoice 5878 charged for seven cleanings @ \$5,455 each (\$38,185), plus a one-time fee of \$1,075 for a DEP permit and Broward waste transport license, for a total of \$39,260. Invoice 5879-1 charged \$18,365 for three cleanings @ \$5,455 each (\$16,365), plus a materials charge of \$2,000 for “Vac-Con Truck as agreed upon.” Wastewater apparently rejected these invoices, because the vendor submitted second versions of invoices 5878 and 5879-1. Again dated 5/1/2009, these invoices included the following breakdown of costs per lift station:

- \$1500.00 Pump truck to clean Liftstation
- \$1280.00 Labor for cleaning of Liftstation
- \$1750.00 Truck trip to Pompano
- \$ 480.00 Labor trip charge
- \$ 445.00 Disposal

Public Utilities Operations rejected these invoices by email dated August 6, 2009, because:

1. The contracted hourly rate per pump truck was \$250;
2. The invoices lacked a breakdown of dates, locations, and hours of service;
3. Invoice 5878 lacked copies of receipts for the DEP permit and Broward waste transport license; and
4. Invoice 5879-1 charged \$2,000 for a Vac-Con truck that differed from the trucks specified in Bid 07-4191.

Southern Sanitation’s final versions of invoices 5878 and 5879-1, both dated 9/10/2009, were date-stamped “RECEIVED SEP 10 2009 Public Utilities Ops/Finance.” Invoice 5878 charged for 154 hours and invoice 5879-1 charged for 66 hours, both at the Bid 07-4191 rate of \$250 per hour. These third versions listed “DATES OF CLEANING” as follows:

| Invoice 5878 for Lift Station 107 | Invoice 5879-1 for Lift Station 302 |
|---|---|
| MAY 1 2009 22 hr’s per day with 2 guys | |
| MAY 4 2009 22 hr’s per day with 2 guys | |
| MAY 8 2009 22 hr’s per day with 2 guys | MAY 08 2009 22 hr’s per day that is with 2 guys |
| MAY 11 2009 22 hr’s per day with 2 guys | MAY 11 2009 22 hr’s per day that is with 2 guys |
| MAY 12 2009 22 hr’s per day with 2 guys | |
| MAY 14 2009 22 hr’s per day with 2 guys | MAY 14 2009 22 hr’s per day that is with 2 guys |
| MAY 22 2009 22 hr’s per day with 2 guys | |

The 9/10/2009 version of invoice 5878 also charged a one-time fee of \$1,075 for a DEP permit and Broward waste transport license. The 9/10/2009 version of invoice 5879-1 contained a materials charge of \$2,000 for “Vac-Con Truck as agreed upon.”

On September 17, 2009, Public Utilities Operations emailed Southern Sanitation to reject the third iterations (dated 9/10/2009) of invoices 5878 and 5879-1 because:

1. According to Public Utilities Operations records, the cleanings of lift stations 107 and 302 charged on May 11, 2009, were actually performed on May 18, 2009;

2. According to Public Utilities Operations records, the May 8 cleaning of lift station 302 was actually done on lift station 309;
3. The invoices lacked copies of receipts for \$1,075 for the DEP permit and Broward waste transport license;
4. On three separate dates both invoices charged 22 hours per day at two lift stations (107 & 302) on the same day. Public Utilities Operations records “show that service was performed on the same day with only one truck; therefore it is not possible to have the same truck for 22 hours at each lift station on the same day;” and
5. The \$2,000 Materials charge for Vac-Con truck on invoice 5879-1 is inapplicable because Bid 07-4191 allowed for 2,500, 5,000, and 10,000 gallon pump/tankers.

The September 17th email offered Southern Sanitation two alternatives. One was to reject both invoices until they were revised, the other was to strike the questioned items and process a partial payment for the remainder. Despite not receiving revised invoices, the Public Utilities Operations Manager approved the full amounts of invoices 5878 and 5879-1, totaling \$58,075. Collier County paid \$58,075 to Southern Sanitation by check #816450, dated October 7, 2009.

In order to make proper payments, invoices should be validated against contract terms. Invoices should also be accurate. Southern Sanitation did not adjust the invoices that Public Utilities Operations ultimately approved for payment, i.e., the third submissions dated 9/10/2009. Public Utilities personnel did not require Southern Sanitation to explain how one truck could spend 22 hours cleaning each of two different lift stations, for a total of 44 hours, with one truck on the same day.

Wastewater personnel indicated that the department knew from estimate 471 what Southern Sanitation would charge for lift station cleaning. Southern Sanitation initially invoiced Wastewater for lift station cleaning based upon the prices stated in that estimate. When Wastewater rejected those invoices for non-compliance with Bid 07-4191 terms, Southern Sanitation seemingly backed into the invoice totals to conform to the Bid terms. Wastewater personnel did not recall who told Southern Sanitation to change the invoices.

Upon Internal Audit’s request, the Broward County Septage Receiving Facility listed all of Southern Sanitation’s dumpings at that location in 2009. The Septage Receiving Facility list showed only one Southern Sanitation truck dumping on the May 2009 dates of the 8th, 11th, 14th, and 18th. Internal Audit interviewed current Public Utilities managers about the approval of these invoices. They pointed out that Southern Sanitation may have subcontracted the cleaning of one of the lift stations, as contemplated in Bid 07-4191. That could account for only one Southern Sanitation truck appearing on the Septage Receiving Facility list. However, when Internal Audit asked Southern Sanitation’s office manager if they had subcontracted any of the May 2009 lift station cleaning work, she said no, they do all of their work personally.

Recommendations:

- Managers should not have accepted or utilized estimates that do not correspond to contract terms. The work should’ve been done and billed per contract, or bid out separately if the work performed did not fall within the scope of the contract.

County Management Response:

“Management agrees with the recommendation. In April, 2009, Don Edwards (the then Wastewater Operations Manager, whose employment with Collier County was subsequently terminated, and who is currently in litigation with the County, is the concerned citizen mentioned in the background section of the audit report) requested Southern Sanitation, via email, to provide a quote for master pump station cleaning and grease removal and disposal with transport to Broward County. Mr. Edwards received Estimate #471 dated April 20,

2009, which was not stated in accordance with the approved contract for sludge hauling at the time. Despite having received a quote that did not conform to the approved contract, Mr. Edwards sent Southern Sanitation the notice to proceed based on that estimate. Since that time, staff re-bid the sludge hauling contract as grease cleaning/hauling and sludge hauling are different tasks.”

- If the work performed was within the scope of the contract, Public Utilities Operations management should have insisted that the vendor submit invoices that comport with contract terms. When differences arose, as in this case, management should not have approved invoices for payment until those differences were satisfactorily resolved and/or explained and documented.

County Management Response:

“Management agrees with the recommendation and worked diligently with the vendor to resolve differences identified. Staff rejected invoice 5878 dated 5/1/2009 and invoice 5879-1 dated 5/1/2009 by letter dated August 6, 2009, and provided several reasons for the rejection:

- Billing did not conform to the approved contract terms
- Invoice required dates, locations, and hours of service
- No supporting documentation for the Vac Truck or the DEP permit for waste transport and disposal and requested receipts for each”

- Public Utilities Operations should have evaluated vendors’ invoices for accuracy and contractual compliance. When outliers are found, management should either document a reasonable explanation from the vendor or reject the invoice until it is corrected.

County Management Response:

“Management concurs with this recommendation. Since 2009, management has developed and implemented a waste hauling manifest that must accompany each invoice which identifies dates, times, and places of service provided. The manifest specifically requires the following information:

- Date of service
- Pump site/location
- Truck ID
- Disposal site
- Time In
- Time Out
- Number of hours of service provided

The manifest supports the vendors’ invoices for accuracy and contractual compliance.”

Conclusion

Internal Audit reviewed Southern Sanitation purchase orders from 2003 to 2012 due to a citizen’s concerns. Although this examination did not uncover a pattern of invoice discrepancies beyond those noted, these transactions raised questions as to the adequacy of vendor oversight and required documentation. The Wastewater Department appears to have subsequently improved controls of sewage and grease hauling. Wastewater now solicits separate bids for sewage hauling and grease hauling. Vendors are required to include a signed Sewage Hauling Tracking Form that details their work with their invoices.

Audits do not relieve management of their responsibilities. It is the responsibility of County management to understand and implement the proper procedural controls in order to reduce and limit the risk of fraud, error,

and misappropriation of County assets/revenues. Internal Audit may recommend improvements in audit reports, but ultimately it is the duty and decision of County management to formulate processes and controls that ensure compliance with Federal Regulation, Florida Statute, County Ordinance, and County Policies and Procedures.