

<p>Date: January 11, 2019</p> <p>To: Walter Veselka, Director, Department of Public Works</p> <p>From: Craig Trujillo, CPA, Chief Auditor Joseph Caruso, CPA, Deputy Chief Auditor</p> <p>Tele: (860) 757-9952 (860) 757-9955</p>		<p>City of Hartford Department of Public Works Waste, Recycling and Tipping Fee Operations Audit Report 1910</p>
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I. Executive Summary

In accordance with our audit plan for the fiscal year ending June 30, 2019, we completed an audit in December 2018 of the City of Hartford Department of Public Works Waste, Recycling and Tipping Fee Operations. The purpose of the examination was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, and to recommend improvements where required. The results of our examination were reviewed with W. Veselka, Director, Department of Public Works; M. Looney, Deputy Director, Department of Public Works; V. Matthews, Superintendent, Department of Public Works; and, other responsible members of operating management. The summary which follows includes only exceptions disclosed and recommended operating improvements. Included are management's actions taken or planned including timeframes to resolve each issue and/or recommendation in this report. We thank the Department of Public Works management and staff for their cooperation and courtesies extended to us during our audit.

We are pleased to report that controls and tests of processes relating to Waste, Recycling and Tipping Fee Operations were found to be generally satisfactory. We did note that procedures need to be documented and enhancements could be made to improve the waste and recycling processes and increase revenue.

Background

Municipal Solid Waste (MSW) management is a service the City provides and is one of the largest budget items. The City of Hartford (City) entered into a ten (10) year contract with the Material Innovation and Recycling Authority (MIRA) for long-term Tier 1 services beginning on July 1, 2017. MIRA succeeded the Connecticut Resources Recovery Authority (CRRA) on June 6, 2014 under the State of Connecticut Public Act 14-94. Tier 1 services requires the City to provide all acceptable solid waste generated within its borders to MIRA and the City pays a tipping fee. The tipping fee for the first contract year was \$68 per ton of waste and for fiscal 2019, the tipping fee is \$72 per ton of waste. Recyclables are weighed, but there is no tipping fee charged. Tipping fees paid during the fiscal year ending June 30, 2018 totaled \$1,915,266.

The City also has its own bulky waste transfer station and recycling center. The facility opened in September 2009 and is designed to be a disposal point for residents and small commercial businesses to stem local illegal dumping and to generate revenue. Revenue from the transfer station and recycling center for the fiscal year ending June 30, 2018 totaled \$134,231.

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Scope

The scope of our audit included various reviews and tests of transactions recorded in fiscal year 2018 and fiscal year-to-date 2019 to ensure the collection of municipal solid waste and recyclables is efficient and effective. The following audit procedures were performed:

- Reviews of existing policies, procedures and controls;
- Reviews of MIRA and recycling contracts;
- Examination and tests of tipping fees, waste and recycling invoices; and
- Reviews of transfer station fees and comparisons of related services provided by other comparable municipalities.

II. Audit Results

Tipping Fees

Tests of tipping fees paid in the first quarter of FY'2019 totaling \$553,178 to MIRA and reviews of related controls disclosed that controls to ensure all weight tickets are collected needed improvement. During our testing, we found that numerous weight tickets could not be located. Procedures for reviewing and approving the monthly tipping fee invoices from MIRA were not documented, which we noted in our prior audit. Also, as reported in our prior audit, there is no reconciliation of tare weights printed on the MIRA weight tickets to ensure that the City is properly charged.

We recommend that DPW establish procedures to collect MIRA weight tickets for the monthly review of the MIRA invoices. In addition, we recommend that tare weights of each truck be periodically reviewed to the tare weights printed on MIRA weight tickets to ensure the city is properly charged.

Management Response

Due Date: March 31, 2019

Responsible Person: Walter Veselka, Director, Department of Public Works

DPW management concurs that our documentation of procedures and recording of actions needs to be tightened; work is underway on this and do not anticipate any issue meeting the March 31 completion.

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Waste Collection Permits

Based on a review of the Municipal Code, the City is responsible for issuing permits to refuse collection companies that operate in Hartford. When a permit is issued, the waste and recyclables collected in Hartford by these companies are delivered to MIRA then, monthly, MIRA sends an invoice to the City that includes a “Tonnage for Permitted Haulers” report. Based on a review of this report and the permits issued, four haulers have not paid for a registration permit to operate in the City. DPW management should verify periodically that waste haulers have a current permit to operate in the City.

We recommend that a process be developed and documented to review the permitted haulers delivering solid waste and recyclables to MIRA from within Hartford to a listing of registered refuse collector permit holders, in accordance with the City of Hartford Municipal Code, Section 15-23.

Management Response

Due Date: March 31, 2019

Responsible Person: Walter Veselka, Director, Department of Public Works

Procedure and action to issue permits to collectors is in development and do not anticipate any issue meeting the 31 March completion.

Bulky Waste

Bulky waste of five items can be scheduled for pick-up twice per year per unit for free for residential households of one to six units. After two pick-ups, an appointment can be scheduled for a cost of \$75 each. Based on discussions with DPW management, there are no documented procedures related to the scheduling of bulky waste appointments. DPW should document procedures on how bulky waste appointments are scheduled, including entering the permit number when the household has exceeded the number of free appointments.

Management Response

Due Date: March 31, 2019

Responsible Person: Walter Veselka, Director, Department of Public Works

DPW identified this prior to the audit. Work is in process and do not anticipate any issue meeting the 31 March completion.

Bulky Waste Transfer Station Fees

Residents can purchase a permit to use the bulky waste transfer station. The permit fees are \$10 per resident which allows a city resident to drop off bulky waste four times per year; and \$50 per small business commercial permit plus \$85 per ton tip fee. We compared the residential and bulky permit fees with other comparable cities in Connecticut and found in New Haven, the first bulk appointment is free if you are the homeowner of a house with

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one to three units. If not, the appointment is \$50. All New Haven residents must pay \$50 for the second bulk appointment. In Bristol, the first bulk appointment is also free for residential residents in one to five units. Each additional bulk pick-up can be scheduled for a \$25 fee. Transfer Station permits can also be purchased for \$50 for five years, however, only the first 100 pounds of the load is free. Weight in excess of 100 pounds will be charged at a rate of \$0.60 per 10 pounds of materials. In East Hartford, the bulky waste permit fee is \$35 for five tickets for use at the transfer station and two curbside pickups. Supplemental books of five tickets may be purchased for \$30 each. In the town of Manchester, the first two Bulky Waste collections can be scheduled for free. Additional collections can be scheduled for a cost of \$40. Residents can also purchase an annual Transfer Station permit for \$20 per vehicle with a \$2 charge per car load and a \$4 charge per truck or trailer load. Based on this information, we noted that the City of Hartford has the lowest residential permit fees. We recommend that DPW management establish new residential permit fees more in line with other municipalities in Connecticut with the objective of increasing revenue in the future. This requires City Council approval.

Management Response

Due Date: March 31, 2019

Responsible Person: Walter Veselka, Director, Department of Public Works

While Public Works can, and has in the past, recommended fee adjustments, action is outside of our control. This item should be adjusted to an action within our control; i.e. meeting with Mayor, COO & CFO to discuss possible City Council agenda item to refer review of fees to Solid Waste Advisory Committee. We will be able to make a 31 March completion of this action.

Trash Carts

Municipal Code Section 15-11 states that City residents pay \$35 for a replacement trash cart, however, based on a review of the most recent purchase order, the City of Hartford paid \$63 for the trash carts. We recommend DPW management consider raising the fee for replacement trash carts to at least offset the city's cost.

Management Action Plan

Due Date: March 31, 2019

Responsible Person: Walter Veselka, Director, Department of Public Works

Similar to the item above, this fee is set by ordinance and must have support of the City Council to bring to discussion and public hearing. This item should also be adjusted to an action within our control; Meeting with Mayor, COO & CFO to discuss possible City Council agenda item to amend Section 15-11 of Hartford Municipal Code. We will be able to make a 31 March completion of this action.

Sanitation Violations and Fines

Based on discussions with the Sanitation Inspector, there are no documented procedures, other than what is stated in the Municipal Code, Section 15-21

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on violations and penalties. According to the Municipal Code, any violation not remedied by the specified time period shall be issued a citation. Citations shall be subject to a fine of \$99 each day the violation continues. Based on a discussion with the Sanitation Inspector and DPW management, compliance is the main priority and only a handful of citations are actually issued. Time stamped photos are used to record the violation and a “Notice of Violation” letter is left at the property. Both the photos and violation letters are scanned and stored on the DPW network drive. If no contact has been made with the property owner and the violation continues, a citation letter is drafted and reviewed with Corporation Counsel. Again, the letter is scanned to the DPW network drive and sent by registered mail to the property owner. When the citation involves a fine, a copy is given to the DPW Finance Office for input into MUNIS to generate a bill and to collect payment. However, there is currently no automated system to track, monitor, and resolve the violations, citations and fines issued. Depending on the severity of the violation, DPW staff may be sent to the address to perform the necessary clean-up and a bill will be mailed to the property owner for all charges incurred. An excel spreadsheet is used to track clean-up charges. If the bill is not paid after a certain time period, it will be attached to the property owner’s tax bill. Sanitation Notice of Violations were 2,363 and 2,183 for FY’2018 and FY’2017, respectively. Based on a review of the MUNIS Misc. Citation account (object 431104) in FY2018, there were 2 entries for \$1,584 and \$99, respectively, for a total of \$1,683. In FY2019, there have been five entries totaling \$1,360. Based on discussions with DPW management, there has been only one Sanitation Inspector for the entire city prior to FY2019, when a second Sanitation Inspector was hired. We recommend that DPW management document procedures related to the Inspection process including using pre-numbered Notice of Violations and creating a log or spreadsheet to adequately track each violation and citation issued. The log/spreadsheet should include the following information at a minimum: violation notice number, property address, property owner name and address, description of violation, citation issued (yes or no column), citation letter number and date mailed, fine amount assessed, invoice number, fine amount collected, date resolved. In addition, a supervisor should periodically review and sign the log/spreadsheet to properly monitor the Sanitation Violation and Fine process.

Management Action Plan

Due Date: March 31, 2019

Responsible Person: Walter Veselka, Director, Department of Public Works

Public Works will implement a process for the upcoming fiscal year to have pre-numbered notices of violations and track all these notices in a log to record violations which have been cleaned up, which were assessed fines, identify payments to be made and collection activities. We do not anticipate a problem meeting the March 31 completion.

Potential Revenue Opportunities

Contractors, including landscapers, and residents are allowed to bring leaves and brush to the transfer station free of charge. The City entered into a contract with a contractor to collect leaves and brush, grind them and return the product as mulch, which is also provided to contractors and residents free of charge up to a certain amount. The City paid this contractor \$73,250 and \$86,998 in FY’2018 and FY’2017, respectively. We recommend DPW management consider charging these contractors and/or landscapers a fee for dropping off the leaves and brush, along with a separate fee to take mulch for use of their business.

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Management Action Plan

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It should be noted that contractors/landscapers bringing these materials directly to the Transfer Station is actually a savings from the City collecting curbside. We agree that free mulch should be limited to residents and that it may be feasible to charge contractors/landscapers for this material. We should be able to document a discussion of this matter and discuss a possible fee for non-residential compost picked up at the Transfer Station. A March 31 completion is reasonable.

Distribution:

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Internal Audit Commission Members

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A. Cloud, Treasurer

M. Looney, Deputy Director, Department of Public Works

V. Mathews, Superintendent, Department of Public Works

T. Montanez, Interim Chief Operating Officer & Chief of Staff, Mayor's Office

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