



CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

December 16, 2015

Ivy R. Taylor
Mayor

Rebecca J. Viagran
Councilwoman, District 3

Ray Lopez
Councilman, District 6

Joe Krier
Councilman, District 9

Roberto C. Treviño
Councilman, District 1

Rey Saldaña
Councilman, District 4

Cris Medina
Councilman, District 7

Mike Gallagher
Councilman, District 10

Alan E. Warrick, II
Councilman, District 2

Shirley Gonzales
Councilwoman, District 5

Ron Nirenberg
Councilman, District 8

SUBJECT: Audit Report of Solid Waste Management Department Recycling Contract and Program

Mayor and Council Members:

We are pleased to send you the final report of the Solid Waste Management Department Recycling Contract and Program. This audit began in July 2015 and concluded with an exit meeting with department management in November 2015. Management's acknowledgement of the results of the audit is included in Appendix B of the report. The Solid Waste Management Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

Distribution:

Sheryl L. Sculley, City Manager

Peter Zanoni, Deputy City Manager

Ben Gorzell, Chief Financial Officer

David McCary, Solid Waste Management Director

Martha Sepeda, Acting City Attorney

Leticia M. Vacek, City Clerk

Jill De Young, Chief of Staff, Office of the Mayor

Leslie Ann Garza, Communications Director, Office of the Mayor

Yolanda Oden, Executive Assistant to the Mayor, Office of the Mayor

John Peterek, Interim Chief of Staff, Office of the City Manager

Tom Nichta, Audit Committee Member

CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Solid Waste Management Department

Recycling Contract and Program

Project No. AU15-025

December 16, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Solid Waste Management Department (SWMD), specifically the Recycling Program and contract with ReCommunity. The audit objective and conclusion follow:

Are key components of the City's recycling program accurately monitored, supported, and in compliance with the ReCommunity contract terms?

Yes, the City's recycling program is accurately monitored, supported, and in compliance with the ReCommunity contract terms. Additionally, they have monitoring controls in place to keep on course toward reaching their 10 year recycling and resource recovery goals. Specifically:

- Outreach efforts are in place and ongoing to educate schools, residents and communities on the importance of recycling.
- A recycling inspection process exists for single-family residents to target common contamination issues.
- The multi-family recycling program uses on-site education and annual inspections to monitor and maintain an ordinance compliance rate of 97%.
- Implementation is in progress for the commercial recycling pilot program to increase businesses' recycling efforts.
- SWMD has adequate monitoring controls in place to ensure compliance with key contract requirements.

No recommendations were made for this audit.

Solid Waste Management Department's verbatim response is in Appendix B on page 6.

Table of Contents

Executive Summary	i
Background.....	1
Audit Scope and Methodology	2
Audit Results and Recommendations	3
A. Contract Compliance	3
B. Single-Family Residential Recycling Program	3
C. Multi-Family Ordinance Compliance	4
D. Commercial Recycling Program	4
Appendix A – Staff Acknowledgement	5
Appendix B – Management Response.....	6

Background

The mission of Solid Waste Management Department (SWMD) is to protect the public health and safety of the City of San Antonio by providing quality municipal solid waste and recycling services and other environmental programs that are safe, efficient, cost effective, and environmentally responsible.

The City's recycling and resource recovery goals are guided by the City's drive to ultimately become a zero waste community. The goal of zero waste is that all discarded materials are re-used or recycled back into nature or the production cycle. SWMD established three goals to ensure a more sustainable community through various recycling initiatives. Single-family recycling provides residents with a 96-gallon recycling 'blue' cart and weekly automated collection services. Multi-family recycling ensures adequate and convenient recycling services are provided to all tenants occupying multi-family properties (i.e. apartment buildings). Commercial recycling focuses on increasing recycling opportunities for businesses in San Antonio.

The following table illustrates the progress of each goal over the past three years.

Goal	2013 Status	2014 Status	2015 Status
Recycle 60% of the single-family residential waste stream by 2025 (based on fiscal year)	31.5% recycling rate	29.1% recycling rate	30% recycling rate
Ensure all multi-family residents have access to convenient recycling, per compliance with City Ordinance (based on calendar year)	98% compliance rate	98% compliance rate	97% compliance rate as of 9/30/15
Improve recycling opportunities for businesses	Staff gathering research to draft commercial recycling program options to present to City Council	Stakeholder group meetings initiated, compiling research	Development of the Commercial Recycling Business Plan

In June 2013, the City awarded a ten year contract to River Recycling LLC (doing business as ReCommunity) to provide recycling processing services.

The contract states estimated net revenue of \$11.5 million to the Solid Waste Operating and Maintenance Fund during the initial ten year period, commencing on August 1, 2014. For the first 12 months of the contract term, actual net revenue was approximately \$527,127.

Audit Scope and Methodology

Our audit scope included a review of Solid Waste Management Department's (SWMD) recycling and resource recovery goals and strategies for the Recycling Program from fiscal year 2013 through September 2015. The scope also included monitoring of contract requirements between the City and ReCommunity Recycling.

We interviewed SWMD staff to obtain an understanding of the various programs and initiatives in place to meet the City's recycling goals. Additionally, we obtained an understanding of the contract requirements and the processes in place to monitor those requirements.

We reviewed the current recycling program initiatives for residential single-family recycling, multi-family recycling and commercial recycling to determine if sufficient progress within each program was made. Additionally, we reviewed the recycling container inspection process and education efforts provided to residents to assist with lower contamination rates. Testing criteria included SWMD departmental policies and procedures, and SWMD's department goals and strategies as stated in the 10 Year Recycling and Resource Recovery Plan for Residential and Commercial Services.

To determine adequate monitoring of the recycling contract, we tested 5 months of invoices received from ReCommunity to verify they were processed appropriately. We also observed a quarterly waste characterization audit to verify the capture rate stays above 95%, as specified in the contract. Additionally, we reviewed the Contract Administration Plan (CAP) and supporting documents on file such as ReCommunity's insurance policy, performance bond and safety plan to verify compliance with key contract requirements.

We relied on computer-processed data in SAP, the City's accounting system, to review payments received from ReCommunity. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Contract Compliance

SWMD's monitoring procedures were adequate to ensure compliance with key contract requirements. A Contract Administration Plan (CAP) has been established as a monitoring tool to assist with continuous verification and documentation of ReCommunity's performance.

We verified adherence to contract requirements related to the quarterly waste characterization and residual audits, and ReCommunity's safety plans. We also verified appropriate performance bond and insurance coverage.

Additionally, we confirmed that adequate controls are in place for the financial terms of the contract. Monthly reviews by Fiscal personnel are taking place to ensure the invoice from ReCommunity with recycling fees and payment of recycling revenue is accurate. We reviewed a sample of 5 monthly invoices totaling \$133,414 and determined that ReCommunity invoiced the City accurately and included proper support documentation for each invoice.

Recommendation

None

B. Single-Family Residential Recycling Program

SWMD has adequate procedures in place to continue the City's recycling goal to achieve a 60% residential recycling rate by 2025. This includes performing quarterly waste characterization audits to verify the capture rate stays above 95%, conducting routine inspections of blue recycling carts and providing educational assistance.

We verified SWMD performs routine inspections of resident's blue recycling carts and provides education assistance as needed to reduce contamination. Also, we reviewed a sample of 21 addresses to confirm violation notices are being distributed to residents. Repeat offenders have their carts removed which we verified from review of work orders in SAP.

Additionally, we verified SWMD provides education presentations to schools, colleges, and communities on a continuous basis with over 850 presentations made during the 2014-2015 school year.

Recommendation

None

C. Multi-Family Ordinance Compliance

SWMD’s monitoring procedures were adequate to ensure compliance with the Multi-Family Ordinance which was passed in 2010 requiring owners/managers of multi-family properties to provide or contract for on-site recycling collection services for their residents. We verified SWMD performs routine inspections of properties to monitor for compliance and provides education assistance to property owners and private haulers as needed based on inspection results. For a sample of 30 properties, we reviewed the non-compliance letters sent to the property managers who had failed their inspections. Failed properties have a follow-up inspection to ensure non-compliance issues have been resolved.

Recommendation

None

D. Commercial Recycling Program

SWMD has made progress with the City’s goal to improve recycling opportunities for businesses. We verified SWMD has developed a comprehensive plan that includes the following strategies to measure, assist and recognize businesses’ recycling efforts.

Measure	Assist	Recognize
<ul style="list-style-type: none"> • Develop methodology for determining the number and type of businesses • Develop internal performance measures • Develop waste measurement tool kit for businesses 	<ul style="list-style-type: none"> • Prepare 'Initial Consultation' playbook for developing baseline data • Develop a 'Recycling Audit Report' process and knowledgebase 	<ul style="list-style-type: none"> • Identify and outline initial tiers for recognition program • Develop program administration plan • Outreach design and production • Launch advertisement and awareness

The first elements of the pilot phase of the program will begin implementation in November 2015 with the pilot results and recommendations presentation to City Officials by May 2016.

Recommendation

None

Appendix A – Staff Acknowledgement

Sandra Paiz, CFE, Audit Manager
Holly Williams, CISA, CRISC, Auditor in Charge
Bruce Coleman, CISA, CIA, Auditor

Appendix B – Management Response



December 1, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of the Audit of Solid Waste
Management Department Recycling Contract and Program

Solid Waste Management Department has reviewed the audit report and
provided its comments to the auditors. As there are no recommendations for
management, no management responses are required.

Solid Waste Management Department:

- Fully Agrees
- Does Not Agree (provide detailed comments)

Sincerely,


David McCary
Director
Solid Waste Management Department

12/1/15
Date



Peter Zanoni
Deputy City Manager
City Manager's Office

12.1.15
Date

4410 West Piedras Drive, San Antonio, TX 78228