



## Memorandum

**TO:** John Stufflebean, Director  
Environmental Services Department

**FROM:** Sharon W. Erickson,  
City Auditor

**SUBJECT:** *Review Of Allied Waste Expenditures  
For The Period Of April 1, 2007 Through  
February 29, 2008*

**DATE:** May 5, 2008

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### Background

The San José/Santa Clara Water Pollution Control Plant (WPCP) removes screenings, grit, and grease from the waste water that flows into the WPCP. The WPCP relies on a contractor to provide 1) WPCP with containers to store the screenings, grit, and grease on-site and 2) the hauling and disposal of these materials. On May 18, 2004, the City Council approved the execution of a one-year service order and four one-year options to renew with Allied Waste (BFI) for the above services. The City Council approved a motion to have the City Manager request the City Auditor's Office to review BFI's expenditures prior to the Administration approving the additional four one-year renewal options; this is the fourth City Auditor's Office annual review.

### Objectives, Scope, And Methodology

In accordance with its 2007-08 Approved Audit Workplan, the City Auditor's Office conducted its fourth annual review of BFI's expenditures for the period of April 1, 2007 through February 29, 2008. Specifically, we limited our review to verifying that the amounts BFI invoiced the Environmental Services Department (ESD) were in accordance with the specified bid amounts stated in BFI's quote, which BFI submitted on March 2004. We reviewed supporting documentation that BFI submitted for payment for service provided from April 2007 through February 2008, interviewed City staff, and toured the Water Pollution Control Plant.

We performed our review 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives. The City Auditor's Office thanks the staff of the ESD, BFI International Disposal, and the Finance Department for their assistance during our review.

## **BFI Reimbursed The City For Overpayments Found During City Auditor's June 2007 Review**

In June 2007, the City Auditor's Office issued its third review of BFI expenditures. The review identified the following issues totaling \$3,759.36 in overpayments:

- BFI overcharged the City \$1,509.68 for hauling services it provided in April and May of 2006;
- BFI charged an estimated \$1,809.84 in environmental, fuel recovery, and administrative fees which are not in accordance with the contract between the City and BFI; and
- BFI inappropriately increased from \$37.85 to \$38.22 the amount it charged the City per ton of waste material disposed which resulted in a \$439.84 overcharge to the City.

Our review of April 2007 to February 2008 billing information revealed BFI fully credited the \$3,759.36 in June 2007.

## **BFI Expenditures For The Period Of April 1, 2007 Through February 29, 2008**

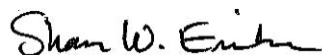
We verified that BFI invoiced the City \$ 69,953.35 for services provided during the period of April 1, 2007 to February 29, 2008, disposed of 1,423.77 tons of grit, grease, and screenings, and transported 144 bins from the WPCP to the Newby Island Landfill.

The City Auditor's Office determined that BFI generally billed the City appropriately; however, we found BFI overcharged the City \$ 60.69 for waste material disposed during April 2007 to February 2008.

We also found a \$629.98 transaction which was not substantiated by supporting documents. According to the original Request For Quotation, no payments shall be made to BFI unless landfill receipts are received. Documentation does not support this charge.

## **Conclusion**

ESD staff should follow-up with BFI and seek reimbursement for the \$60.69 overcharge and the \$629.98 unsupported transaction.



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Sharon W. Erickson  
City Auditor

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