

OKALOOSA COUNTY CLERK OF CIRCUIT COURT



DEPARTMENT OF INSPECTOR GENERAL



ADMINISTRATIVE REVIEW OF WASTE MANAGEMENT OVERPAYMENT

REPORT NO. AR-21-01

REPORT ISSUED: JANUARY 25, 2022

ISSUED BY: BRAD E. EMBRY, INSPECTOR GENERAL

Background

On October 6, 2021 our office was notified by the Public Works Director of a potential billing error between Okaloosa County (County) and Waste Management (WM). The County contracts with WM for solid waste and recycle collection. On October 18, 2021 we met with Waste Management and Public Works to discuss the issue. During the meeting, a team from Waste Management presented information to suggest that the County was overpaying WM. The overpayment was occurring because of a payment processing error. Remediation amounts were being added to the disbursement, rather than withheld as a credit.

Remediation Fees are charged to maintain closed landfills in Okaloosa County. The fee is added to solid waste collection fees charged for various categories: single-family, multi-family, apartments mobile homes and additional roll carts. The Remediation fees are combined and referred to as Refuse. The Remediation Fee is adjusted annually based on the Consumer Price Index; at the time of our review the fee was \$0.54 per month. Okaloosa County Water and Sewer (OCWS) collects WM fees monthly as an add-on to standard water and sewer charges. WM directly bills and collects from non-OCWS customers for services. The Refuse payments should have been withheld by Finance and placed into an established solid waste revenue account. Instead, the Refuse amounts were being added into the monthly remittance to WM, essentially doubling the error.

Scope & Methodology

With the assistance of the Finance Department, the scope of our review included a review of all payments submitted to WM beginning in fiscal year 2014 through October 2021, supporting documentation and evaluation of fee schedules. In addition, we reviewed information provided to our office by WM, OCWS and Public Works.

Results

As discussed earlier in the report, Remediation Fees serve as a credit to the Solid Waste Account and should have been withheld from the remittance to Waste Management. Instead, the fees were added into the remittance as a transfer from the Solid Waste Revenue account. By not retaining the remediation fee and adding it to the remittance, it essentially doubled the overpayment. We were able to confirm the overpayments began in July of 2016 and continued until September 2021. No errors were detected in FY 2014 or FY 2015. We believe that the overpayments began as a processing error in Finance.

The County remitted \$821,217.06 in Refuse Payments to WM during the examination period. These payments should have been deducted from WM payment amounts. This represents approximately 2.5% of the total amount remitted to WM over the same 62-month period. An additional, unrelated, billing error was also located resulting in an overpayment of \$6,295.50. The combined overpayment amount to WM during the examination period was \$1,648,729.62.

Corrective Action

1. Finance took immediate action to correct the processing error and began assisting with the reconciliation process.
2. The reconciliation was forwarded to Waste Management's accounting office for verification.
3. On December 27, 2021, Waste Management delivered a check to Finance for the overpayment amount of \$1,648,729.62.
4. Adjustments were made to the payment forms being utilized by Okaloosa County Water and Sewer, clearly identifying proper accounts for each portion of collection.
5. At the time our review began, Refuse amounts were being calculated by the Public Works Department. OCWS supplied Public Works with the number of Remediation fees collected, per category. Public Works would use the information and apply the fee amount to the number of units. Remediation fees are now calculated as the information is being pulled from Naviline. Public Works is responsible for verifying the reported rate amount only.
6. The Finance Manager is working on an OnBase workflow solution to aid in payment processing as well as collection and storage for payment supporting documentation.
7. On November 30, 2021, we issued an audit engagement letter to Finance related to Calculated Payments. This process will be part of that engagement.