



Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT

OCTOBER 4, 2011

INTERNAL CONTROL AUDIT: OC WASTE & RECYCLING FEE GENERATED REVENUE Audit No. 1023

WHY IS THIS AUDIT IMPORTANT?

OC Waste & Recycling (OCWR) operates a network of three active landfills and four household hazardous waste collection centers. OCWR core services are to provide solid waste disposal, manage former County waste disposal sites, coordinate Countywide waste-related programs, and provide unincorporated area collection and recycling services on behalf of 34 cities and over three million residents. OCWR is funded solely by disposal fees (user fee per ton disposal charge) established at a level to support the waste management system. No general fund tax dollars are utilized. OCWR's fee-generated revenue is derived from Waste Disposal Agreements, Importation Agreements, Posted Rates, and Franchise Rates, Deferred Payment Program Fees, and Miscellaneous Fees. During our audit period, OC Waste & Recycling generated **\$87 million in revenue** from negotiated contract rates in **Waste Disposal and Importation Agreements** and **\$6 million in non-negotiated "posted rates" and applicable surcharges**.

WHAT THE AUDITORS FOUND?

Successes

Our audit found internal controls over OCWR's fee development processes are adequate, with some exceptions noted, and provide reasonable assurance fee development processes, methodologies, and assumptions used for establishing cost-recovery fees charged to the public are in compliance with requirements in County Accounting Procedure R-3 – *Revenue Policy, Requirements & Responsibilities*.

Audit Findings and Control Recommendations

We identified **three (3) Control Findings** to establish written policies and procedures describing the fee development process; to ensure compliance with County Accounting Manual Procedure R-3, specifically with maintaining documentation to show fees were reviewed for cost-recovery and consistent use of Fee Checklist forms; and to evaluate the process for establishing the Standard Charge per Ton and determine if it should be developed in accordance with the requirements of County Accounting Manual Procedure R-3.