

**MCKAY BAY WASTE-TO-ENERGY PLANT
AUDIT 23-01
NOVEMBER 28, 2022**



City of Tampa

Jane Castor, Mayor

Internal Audit Department

315 E. Kennedy Boulevard
Tampa, Florida 33602
Office (813) 274-7159

November 28, 2022

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: McKay Bay Waste-to-Energy Plant, Audit 23-01

Dear Mayor Castor:

Attached is the Internal Audit Department's report on the McKay Bay Waste-to-Energy Plant (Plant).

Plant Management has already taken positive actions in response to our recommendations. We thank the management and staff of the Plant for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Jean Duncan, Infrastructure and Mobility Administrator
Sal Ruggiero, Infrastructure Services Deputy Administrator
Dennis Rogero, Chief Financial Officer
Chuck Conklin, Waste to Energy Director
Mike Derocher, WTE Plant Manager
Carl Brody, Assistant City Attorney

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/s/ Abram Gablla

Senior Auditor

/s/ Vivian N Walker

Lead Senior Auditor

/s/ Christine Glover

Audit Director

MCKAY BAY WASTE-TO-ENERGY PLANT AUDIT 23-01

BACKGROUND

As of June 2020, the City of Tampa (City) took over the daily operation of the McKay Bay Waste-to-Energy Plant (Plant) from the former contractor, Wheelabrator. The Plant converts waste into energy and is one of 11 plants of its kind in the State of Florida. The Plant generates enough energy to make electricity, which is purchased by Seminole Electric Cooperative. As of August 2022, the revenues from this agreement totaled more than \$9 million. The Plant is a 24-hour operation and has an authorized staff of 55; however, currently there are 8 vacancies.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY 2023 Audit Agenda. The objectives of this audit were to ensure that:

1. The system of internal controls related to separation of duties between the purchasing and inventory functions are adequate.
2. The reports prepared by Plant staff for its Solid Waste and Wastewater permits are accurate.
3. Revenues generated from non-ferrous metal sales are accurate.
4. Performance metrics are accurate, consistent, relevant, and verifiable.

STATEMENT OF SCOPE

The audit period covered Plant activity that occurred from June 2021 through August 2022. Tests were performed to determine whether Plant personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. There are three systems used by the Plant that generated data used during this audit: Continuous Emissions Monitoring System, Distributed Control System, and TabWare. All systems were assessed and the data deemed reliable. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

The following steps were taken to evaluate Plant activities as they related to the stated objectives:

- Observed the warehousing of, and reviewed the process for, inventory recordkeeping in addition to evaluating the adequacy of inventory related internal controls.
- Reviewed the details of regulatory reporting compliance documents for the Plant.
- Observed waste processing from the control room.

- Reviewed documentation available for non-ferrous metal revenue sales.
- Discussed with Management the maintenance activities of the Plant.

The following steps were performed to determine the accuracy, consistency, and relevance of metrics reported:

1. Identified source/system for metrics reported.
2. Performed data reliability testing for system generated data.

STATEMENT OF AUDITING STANDARDS

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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls related to separation of duties between the purchasing and inventory functions are adequate. However, there are no written daily standard operating procedures for the Plant.
2. The reports prepared by Plant staff for its Solid Waste and Wastewater permits are accurate.
3. Accuracy of revenues generated from non-ferrous metal sales could not be determined due to insufficient documentation. The current contract/agreement for the metal sales, along with many other contracts/agreements, is using the terms established by the former operator, Wheelabrator.
4. Performance metrics are accurate, consistent, relevant, and verifiable.

VENDOR AGREEMENTS

STATEMENT OF CONDITION: Although the Plant is owned by the City, it was operated by a third-party vendor until June 2020. A discussion with the plant manager indicated that the Plant is using contracts that the third-party vendor had in place when the City took over operations. A list of contracts showed 66 different vendors and only 13 labeled as not being a “Previous Wheelabrator Contractor.” The remaining 53 are in various stages in the procurement process described as:

- Twenty (38%) – have been awarded with the City, in the bid solicitation, or final award process with the City.
- Seventeen (32%) – are “Term Contracts” for on-going goods/services. These are on a list to be bid (technical specifications need to be written).
- Fourteen (26%) – are “one-time” buys or “as-needed” for future outages/projects. These are scheduled to be broadcast prior to the actual need in the future for those goods/services.
- Two (4%) – are part of the Contract Administration’s Guaranteed Max Price Construction Project.

A discussion with the buyer for the Plant indicated that there is a delay in changing existing contracts from the third-party vendor to the City because technical requirements must be written. Currently, there is only one employee, familiar enough with the operations of the Plant, to write the technical requirements.

CRITERIA: City Code Section 2-276 requires all “purchases by the city and all contracts . . . be first approved by the city council” if \$100,000 or more or approved by the director of purchasing, if less than \$100,000.

CAUSE: Transition of vendors from the former third-party vendor, to the City, has taken time because of the procurement process.

EFFECT OF CONDITION: Non-compliance with City code for the procurement process. Additionally, if “specialized” vendors or equipment are unavailable because there is no active contract/agreement, daily operations may be negatively impacted due to time constraints for substitutes.

RECOMMENDATION 1: Plant Management should continue to work with the Purchasing Department in transitioning all agreements in the name of the former third-party vendor to the City.

PLANT MANAGEMENT RESPONSE: The McKay Bay WTE Facility is in agreement with the findings of this audit. The WTE facility filled both the Maintenance Supervisor and Maintenance Planner vacant positions on September 18th. Once the Procurement Analyst

vacancy is filled the WTE facility along with support from the Purchasing Department should be able to fulfill its obligations to have all identified outstanding contracts completed.

TARGET IMPLEMENTATION DATE: July 1, 2023

PURCHASING MANAGEMENT RESPONSE: The Purchasing Department is in agreement with the findings of this audit and has recently awarded new contracts and will continue to increase our efforts to finalize the remaining outstanding contracts performed at the McKay Bay WTE Facility by contractors previously used by Wheelabrator due to their experience and expertise in WTE Facility operations. For example, Purchasing is finalizing multiple technical specifications for solicitations in advance of the upcoming WTE facility outage. The WTE Facility is in the final steps of hiring a new Maintenance Planner which will help Purchasing finalize technical specifications for bids due to the fact of the technical and specialty of the services provided at the WTE facility compared to other City of Tampa operations and other governmental agencies. Our current Procurement Analyst has been working in many roles at the WTE Facility to help support daily operations and the filling of the outstanding positions will allow the Procurement Analyst to focus on finalizing any outstanding solicitations/contracts. In addition, Purchasing will provide support from other Purchasing Analysts and Management when available to assist in this effort. Based on the quarterly outage schedules Purchasing is targeting a date of completion to have all of the identified outstanding contracts for goods/services under City of Tampa contract documents by June 1, 2023, if not sooner.

TARGET IMPLEMENTATION DATE: June 1, 2023

NON-FERROUS METAL SALES

STATEMENT OF CONDITION: The Plant generates non-ferrous metals from its waste production. Currently, these metals are picked up by a third-party vendor and sold, remitting a portion of the sales price back to the City. The current agreement provides the price per pound to be paid. The agreement references the use of the “Platts Metal Week Publication – A380 Index” (Index) adjusted by other factors as the method for determining the price to be paid. Plant Management indicated they are not provided with information related to the Index when payments are remitted. The Index is subscription based, which resulted in the inability to independently verify the price per pound, when provided, was accurate.

There were six payments from the vendor during the period of June 2021 through July 2022, totaling more than \$136,000. The following documentation to support the amount remitted was missing:

- The percentage recovered to calculate the price per pound.
- Three remittals did not document the price being paid per pound.
- Two of the three remittals that did document the price per pound also included an amount being deducted, which was not explained.

CRITERIA: The current agreement indicates that the vendor will pay a fee for the non-ferrous metals based on a defined index and the percentage recovered. There is also an adjustment factor based on the percentage.

CAUSE: Currently, Plant Management does not verify the accuracy of the payments being received from the vendor to ensure it agrees with the terms of the agreement and properly calculated.

EFFECT OF CONDITION: Incomplete or no supporting documentation of the amount remitted can result in a loss of income to the City of Tampa.

RECOMMENDATION 2: Plant Management should request that the third-party vendor provide supporting documentation when payment is remitted.

MANAGEMENT RESPONSE: The McKay Bay WTE facility is in agreement with the findings of this audit. The WTE agrees to follow the recommendations of this audit and request the third-party vendor provide supporting documentation to the extent necessary to satisfy this finding.

TARGET IMPLEMENTATION DATE: December 1, 2023

STANDARD OPERATING PROCEDURES

STATEMENT OF CONDITION: Although the Plant is owned by the City, it was operated by a third-party vendor until June 2020. A discussion with the plant manager indicated that there are no written standard operating procedures for the plant.

CRITERIA: City Code Section 2-46 requires all departments to “create and maintain all records . . . together with functions, policies, decisions, procedures, and essential transactions of the department.”

CAUSE: The management for the Plant are former employees of the third-party operator and were not informed of this requirement after the transition.

EFFECT OF CONDITION: Non-compliance with City code. Additionally, without established policies and procedures, operations can be duplicated, creating inefficiencies. Policies and procedures also help to retain institutional knowledge in the event of employee turnover.

RECOMMENDATION 3: Plant Management should develop written policies and procedures that reflect their daily administrative operations.

MANAGEMENT RESPONSE: The McKay Bay WTE facility is in agreement with the findings of this audit. Although we are in the Solid Waste Department which has “Standard Operating Procedures” already in place, the McKay Bay facility does not. The Management team will develop written policies and procedures that align with the applicable Solid Waste Department when appropriate or develop ones that meet the criteria of this audit.

TARGET IMPLEMENTATION DATE: October 1, 2024