



COLLECTION AND RECYCLING PROGRAM SUPPORT AND COMPLIANCE



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director, and Senior Staff
Date: November 20, 2014 Board of Directors Meeting
Subject: Progress Report on Long Range Plan

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

Summary

This staff report is intended to serve as a progress report for the Board of Directors on items completed to date as part of Phase Two of the Long Range Plan ("Plan") workplan. Milestones completed to date include:

- Initial inventory of existing collection services programs, processing infrastructure, public education and outreach efforts, and policies and contracts.
- Meetings with Recology San Mateo County, South Bay Recycling (SBR), and the SBWMA's Technical Advisory Committee (TAC) to inform and update them on the work in progress, and to seek their feedback on the current collection programs and facility and processing infrastructure.
- Organizing and hosting the one-day visioning workshop held on November 6, 2014 in the San Carlos Library at which local, State and national speakers addressed the state of the state in waste reduction and recycling policies, programs and facility infrastructure and technology.
- Hiring technical consultants to support Phases Two and Three of the workplan, including assisting with evaluating program results and recommending and evaluating program alternatives.

Staff will be presenting a draft Plan for review at the March 26, 2015 Board meeting. It is important to note that the Plan process does not include reviewing the current Member Agency Uniform Franchise Agreement and SBWMA Shoreway Operations Agreement terms and conditions; those will be addressed through a separate process to occur in FY1516. The Plan process also does not include a staff review of the existing JPA governance structure.

Analysis

The information presented in this report is to update the Board on the status of the SBWMA's Long Range Plan and progress made on Phase Two of the Plan. Phase Two of the Long Range Plan process consists of the following activities: completing an inventory of existing collection services programs, processing infrastructure, public education and outreach efforts, and policies and contracts; identifying performance results associated with existing programs and services; and determining whether program and service enhancements are needed.

Staff has completed the inventory and is currently determining what program and service enhancements are needed. To facilitate this process, staff met with Recology and SBR at two separate half-day meetings, one on September 10th specifically focused on potential improvements to the Shoreway Environmental Center, and the second on September 23rd specifically focused on potential improvements to the collection services programs and public education efforts. The TAC was also engaged to obtain feedback at its October 9, 2014 meeting. The input that was received from the contractors and the TAC was considered in the context of whether existing programs and infrastructure should be kept as-is, changed or eliminated. As part of these three meetings, staff shared its own ideas on potential service enhancements and/or infrastructure improvements and such ideas largely formed the basis for the discussions at the meetings. The contractors did share some ideas around operational and

programmatic improvements, but no fundamental changes were proposed to the core collection programs or Shoreway infrastructure.

Based on the outcome of these meetings and staff consideration, the enhancements and potential changes that will be further analyzed include the following:

Collection Programs and Fleet Options

- Use of alternative fuel (i.e., compressed natural gas) collection vehicles.
- Changes to the existing type of collection vehicles, primarily residential collection fleet, to include use of semi-automated and automated vehicles, and split-body vehicles. Split-body vehicles allow for the collection of two types of material streams (e.g., solid waste and recycling) utilizing one truck as opposed to two trucks.
- Piloting every other week collection of solid waste from residential accounts.
- Additional diversion opportunities (i.e., bulky item collection program, sector-targeted outreach, public spaces).

Policy Options

- Mandatory programs (i.e., mandatory recycling ordinances).
- Disposal bans on designated materials (e.g., green waste, cardboard, etc.); designated materials would be prohibited from disposal at the Shoreway facility.

Facility Options

- Facility infrastructure improvements (e.g., fuel storage and distribution system, parking facility, administration building, and transfer station expansion).
- Materials processing improvements (i.e., single-stream processing equipment upgrades, MRF tipping floor expansion, and mixed waste processing in the transfer station).
- Customer-service related improvements (i.e., accepted materials at public recycling center, and layout of public areas).

TAC members raised questions about potential changes to the rate structure and collection of materials, and asked for clarifications to some of the potential enhancements that were the outcomes of the meetings with Recology and SBR. As the Long Range Plan specifically focuses on programs and infrastructure, it will not include any analysis or changes to the terms and conditions of the existing collection and facility operations agreements. Review of the terms and conditions, and such items as rate structure will be addressed separately in FY1516.

Another significant component of Phase Two was the recently completed one-day visioning workshop held on November 6, 2014 in the San Carlos Library. The workshop included local, State and national speakers whose presentations addressed the state of the state in waste reduction and recycling policies, programs and facility infrastructure and technology. The workshop was well-attended by Board and TAC members, Member Agency staff and community leaders, and provided the opportunity for attendees to hear firsthand what is taking place in the industry as well as ask questions. Information shared at the workshop will be considered by staff in the evaluation of program and policy alternatives.

Phase Two is anticipated to be completed by the end of November, with Phase Three work taking place in tandem through February 2015. Phase Three will consist of further developing staff's recommendations on program and service alternatives, new or updated policies, and enhancements to facility infrastructure with associated implementation timelines, preliminary cost estimates and estimated diversion goals as applicable. Staff has also

hired technical consultants to support Phases Two and Three of the workplan, including assisting with evaluating program results and recommending and evaluating program and policy alternatives.

Phase Four entails presenting a Final Report on the Long Range Plan for review by the Board at the March 26, 2015 Board meeting, and Board consideration of the Plan and approval of specific recommendations will take place between April and June 2015 as part of Phase Five.

Background

Phase One of the Long Range Plan process was completed this summer and established the policy goals/guiding principles that will be used to evaluate programs and service alternatives, new or updated policies, and facility infrastructure improvements as part of Phases Two and Three of the Long Range Plan project. Staff presented draft guiding principles at the July 24, 2014 Board meeting and the final guiding principles as detailed in **Attachment A** were approved at the September 11, 2014 Special Board meeting. The approved guiding principles reflect Board Member feedback to incorporate meeting the State's 75% recycling goal by 2020, making sure product quality and end-market considerations reflect economic considerations, and that proposed programs address any existing service voids or deficiencies.

Staff presented a report at the April 24, 2014 Board meeting outlining the process for developing a Long Range Plan for the next ten years to assist the Board of Directors with future decision-making on enhancements to the existing solid waste, recycling and organics collection and processing system for the SBWMA service area. The JPA's last Long Range Plan was drafted in 2002, then updated in 2005 and became the starting point for the development of the franchised collection services programs rolled out in January 2011. This also included a masterplan for the Shoreway Environmental Center and was the basis for the \$46 million in capital improvements completed between the fall of 2009 and the spring of 2011.

A Long Range Plan is needed to help the JPA in its decision-making process as it addresses the following critical issues, among others:

- The State's 75% recycling goal by 2020
- Decision by the Member Agencies in 2017 to extend the term of their existing collection Franchise Agreements or proceed with a competitive procurement
- Future decision by the JPA whether to extend the terms of the Shoreway Operations Agreement or proceed with a competitive procurement
- Future expiration of the Ox Mountain Disposal Agreement on December 31, 2019

Fiscal Impact

The SBWMA FY1415 budget approved by the Board on June 26, 2014 includes \$232,500 for the development of a Long Range Plan. \$187,500 is earmarked for the Plan development and \$45,000 for research associated with the organics recovery project with Silicon Valley Clean Water (formerly SBSA).

Attachments:

Attachment A – Long Range Plan Guiding Principles

Long Range Plan Guiding Principles

- **Maintain and Support an Economically Sustainable Solid Waste System**
 - Leverage existing infrastructure
 - Provide cost-effective and efficient programs
 - Maintain rate stability and predictability
 - Incorporate economic incentives through:
 - Commodity revenue sharing
 - Rate structure improvements
 - Performance standards
 - Promote economic development where feasible
 - Ensure the highest and best use of recoverable materials and implications for end markets so programs are economically and environmentally sustainable
 - Support product stewardship policies and initiatives

- **Enhance Environmental Benefits to the Community**
 - Increase and maximize participation in programs and services to reduce and reuse waste
 - Reduce and mitigate landfill and other facility impacts
 - Reduce collection fleet and transfer trailer fleet emissions
 - Develop and sustain strategic community partnerships
 - Support local, state and national mandates, including meeting the State's 75% recycling goal by 2020
 - Promote behavior change through public education
 - Invest in new, safe technologies and processes for infrastructure

- **Provide High Quality and Convenient Programs and Services**
 - Ensure that program initiatives are convenient, accessible and appropriate
 - Provide incentives to participate in programs where feasible
 - Enhance public education to maximize participation
 - JPA Member Agency facilities and the Shoreway facility to serve as models for high diversion facilities
 - Ensure proposed programs identify any service voids or deficiencies



STAFF REPORT

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Marshall Moran, Finance Manager
Date: November 20, 2014 Board of Directors Meeting
Subject: Discussion on Scopes of Work for Auditing Recology and SBR Agreements

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

Summary

As a follow-up to the June 26, 2014 Board approval of the results of two annual audits (i.e., Financial and Accounting Systems Audit and Annual Report and Systems Audit) of Recology San Mateo County (Recology) and South Bay Recycling (SBR), the Board requested staff bring back for future discussion the scope of work for the audits so that the Board could clearly understand the purpose of the audits to ensure they are performed in the most cost-effective manner. This staff report addresses the Board's request by summarizing the previous audits scope of work and the results.

Based on the principal "Trust but Verify," the purpose of completing the audits is twofold:

- Ensure that the contractors are providing accurate data related to finances, operations (namely tonnage), and customer service, all of which are critical to the SBWMA and Member Agencies in calculating the total collection cost (i.e., revenue requirement) to ratepayers.
- Ensure contractual performance standards are being met.

Stated in dollar terms, the audits focus on reviewing data from our contractors for a \$99 million per year collection system and for the remittance of commodity revenue and transfer station gate revenue of approximately \$17 million per year.

Table 1 on the next page shows the cost of each audit and the financial results by calendar year. The annual cost of the audits has declined from \$140,412 in 2011 to \$115,542 for 2013 as the contractors have implemented improvements and staff in turn reduced the scope of auditing work. In addition, the audit results continue to yield significant financial adjustments in terms of identified dollars owed/credited back to the Member Agencies and/or the JPA as a result of errors found during auditing.

Staff is recommending that the scope of the auditing work be further streamlined to reflect reducing some tasks and completing others every other year while significant financial transactions would still be audited every year.

Analysis

At the June 26, 2014 Board of Directors meeting the Board requested staff to report on the current scope of auditing work related to the Recology and SBR contracts. Per the Member Agencies Franchise Agreements with Recology and the SBWMA's Operations Agreement with SBR, these contractors are required to report financial and operational data and other information. This self-reported data and information is audited annually by the SBWMA to verify it is compiled, maintained and reported accurately for each Member Agency. Specifically, staff

with the assistance of consultants, conducts a Financial and Accounting Systems audit and an Annual Report and Systems (Operations and Customer Service) audit each year.

Table 1			
Summary Table of Financial and Annual Report/Operations Audits			
	CALENDAR YEAR AUDITED		
	2011	2012	2013
FINANCIAL SYSTEMS AUDIT			
Cost	\$ 70,412	\$ 73,500	\$ 60,692
Financial Adjustment ^{1, 2}	\$ 169,646	\$ 1,287,422	\$ 388,491
ANNUAL REPORT/OPERATIONS AUDIT			
Cost	\$ 70,000	\$ 57,030	\$ 54,850
Financial Adjustment ³	\$ 109,445	\$ 20,950	\$ 9,500
COMBINED AUDITS			
Cost	\$ 140,412	\$ 130,530	\$ 115,542
Financial Adjustment	\$ 279,091	\$ 1,308,372	\$ 397,991
¹ Represents absolute value, not net adjustment. These adjustments may affect rate revenue, revenue remitted to the JPA, payments to contractors, etc.			
² 2012 Financial Adjustment includes unusual items: San Carlos "overpayment" of \$761k and revenue adjustments of \$271k relating to prior year.			
³ Represents net adjustment favorable to the Member Agencies.			

Financial and Accounting Systems Audit Scope

For calendar (rate) year 2013, the scope of this audit included reviewing Recology related financial transactions totaling **\$139.6 million** per year broken out as follows:

- Review of gross revenue billed to rate payers (**\$99,373,000**)
- Review of rates charged to customers as compared to approved Member Agency rate schedules
- Review of solid waste disposal and processing costs at Shoreway paid to SBWMA (**\$25,885,000**)
- Review of Member Agency fees billed and paid to Member Agencies (**\$13,363,000**)
- Review of Unscheduled Services compensation to Recology (**\$893,000**)
- Review of back yard service credit (**\$88,000**)
- Review of collection vehicle tare weight process
- Review of Recology statistics and cost allocation process

The financial audit also included a review of SBR financial transactions totaling nearly **\$17 million** per year broken out as follows:

- Review of public revenue remitted/wired to SBWMA (**\$5,960,000**)
- Review of commodity revenue (**\$11,000,000**) including CRV portion (\$4,000,000) remitted/wired to SBWMA
- Review of buyback center payments reimbursed by SBWMA to SBR (**\$600,000**)
- Review of Shoreway facility scale house operations – basis for all tonnage reporting

The Financial Systems audit primarily reviews the annual Recology Revenue Reconciliation Report which reports the final balance owed to/from the ratepayers of each Member Agency and Recology for the prior year. The

revenue reconciliation determines the balance owed to/from Recology and becomes part of each Member Agency's annual revenue requirement which the SBWMA is required to provide and then becomes binding per the Board's approval. All of the figures in Recology's Revenue Reconciliation Report are verified to ensure accuracy in total and by Member Agency. The Financial Audit also reviews the process to allocate Recology's collection cost to Member Agencies and the operating statistics which are the basis for the cost allocation.

Annual Report and Systems (Operations and Customer Service) Audit Scope

This audit is conducted both during the calendar year being audited and after the Recology and SBR Annual Reports are issued in February the next year. Specifically the call center monitoring work is conducted in real time throughout the year while the self-reported data included in the contractor's Annual Reports is audited after the reports are received.

For calendar (rate) year 2013, the scope of this audit included a comprehensive review of both Recology and SBR's Quarterly and Annual Reports and monitoring Recology customer service call center functions. Specific auditing tasks included the following:

- Verify recycle, compost and solid waste tons collected and allocated to each Member Agency by Recology
- Verify recycle, compost and solid waste tons reported by Recology tie to scale house data maintained and reported by SBR
- Verify Recology tonnage allocation methodology is accurately and consistently applied.
- Verify accuracy of customer service data reported by Recology
- Review accuracy of Recology data and reported events used to calculate customer service related liquidated damages, incentive and disincentive payments
- Monitoring the Recology customer service call center system to ensure it functions consistently and accurately in coding calls from ratepayers
- Verify accuracy of non-franchise tons allocated to Member Agencies by SBR

As with most audits, the purpose is to mitigate risk by ensuring that the contractors are accurately reporting financial data, tonnage data, and customer service data and following accurate allocation processes, all of which are critical to the SBWMA and Member Agencies in calculating the total collection cost to ratepayers.

Audit Results and Recommendations for Further Streamlining

The audit results are presented to the Board each year for review and approval. Any audit recommendations to improve the contractor's performance are followed up on by staff.

Attachment A provides the general scope of work for the 2013 audits and approximate cost by task; the 2013, 2012 and 2011 audit findings and recommendation; and staff's summary of the trends regarding auditing results and comments/recommendations to continue the auditing work, reduce the scope, or discontinue it altogether.

Staff is recommending that the scope of auditing work be streamlined to reflect reducing some tasks and completing others every other year while significant financial transactions would still be audited every year: More specifically, staff recommends the following changes to the audit scopes:

Financial Audit

- Reduce scope of work related to review of Attachment Q revenue by conducting this task bi-annually. Potential savings of \$5,000.
- Reduce scope of work related to review of commodity prices by conducting this task bi-annually. Potential savings of \$2,700.

Annual Report Audit

- Reduce scope of work related to confirming accuracy and completeness of Quarterly and Annual Reports, as staff will continue to expand its work in this area. Potential savings of \$2,000.
- Reduce scope of auditing work related to verifying the accuracy of tonnage reports from Recology and SBR, as staff will continue to expand its work in this area. Potential savings of \$5,000.

The scope of the work conducted as part of the past audits does not cover all of the potential significant financial issues and implications that could be included in the scope of independent third party auditing work. This ongoing "auditing work" is regularly done by staff, who have also found many adjustments to the contractor's reports and compensation applications that were favorable to our rate payers. The areas **not** currently included in the scope of auditing work include:

- Staff reviews the entire annual compensation applications of Recology and SBR valued at \$73 million
- Staff reviews the very detailed monthly invoices from SBR valued at \$14 million annually
- Staff bills Recology for disposal at Shoreway valued at \$26 million annually

Alternatives to Auditing the Contractors

Alternatives for the Board to consider include: further reduce the scope of audit work or discontinue it altogether. The 2013 Financial Systems audit cost \$60,692 and the Annual Report and Operations audit cost \$54,850 (includes call center monitoring work). This total expense of \$115,542 is 0.012% of the overall franchise collection system cost of approximately \$99 million. The actual financial impact of not pursuing the auditing work is unknown, but could be significant given past auditing results. It is also possible that the accuracy of the contractor's reports could decline if the certainty of the audits was removed.

Background

The Financial and Accounting Systems and Annual Report and Operations Audits have been approved by the Board and performed the past three calendar years. This type of auditing was also performed under the previous contract with Allied/Republic as part of the third party review of the annual rate application. Given the magnitude of the financial transactions, and the self-reported nature of much of the financial and operational data, it is common practice and part of our due diligence responsibilities to have an independent audit to protect ratepayer's substantial financial interests. There is also the benefit of having an independent third party review of the financial information independent from the SBWMA and the contractors.

Fiscal Impact

The SBWMA budget includes \$126,400 to conduct contractor auditing work in FY1415. The actual amount spent on auditing in prior years has been less than budgeted and staff is anticipating this trend to continue for FY1415. In addition, included in the \$126,400 for FY1415 is \$10,000 to conduct a more detailed audit of Recology's cost allocation process per prior Board comments.

Attachments:

Attachment A – Summary of 2011–2013 Audit Findings and Recommendations

SUMMARY TABLE OF CONTRACTOR'S AUDITS FOR CALENDAR YEAR 2011 - 2013

		<u>2013 COST</u>	<u>FINDINGS</u>	<u>RECOMMENDATIONS</u>	<u>TRENDS</u>	<u>COMMENTS</u>
	SCOPE OF FINANCIAL SYSTEMS AUDIT					
1.	Verify Accuracy of 2013 Recology Revenue Reconciliation Balance with Recology by Member Agency	\$17,919	See below for detail by subtask	N/A	Errors have decreased from past.	This is a critical scope item associated with \$99 million of revenue in 2013 . No change recommended.
a.	Verify Billed revenue ties to accounting records	Included in above	<u>2013, 2012</u> - no adjustment <u>2011</u> - adjustment for non-franchise schools (\$103k)	N/A	Discrepanciess have decreased from past.	Small step of total scope needed.
b.	Verify rates charged by Recology to customers for each agency	Included in above	<u>2013, 2012</u> - no adjustment <u>2011</u> - N/A	N/A	Consistent correct reporting.	Audit step was requested by a Board Member.
c.	Verify collection expense by Member Agency	Included in above	<u>2013, 2012, 2011</u> - no adjustment	N/A	Consistent correct reporting.	Small step of total scope needed.
d.	Verify agency fees expense by Member Agency	Included in above	<u>2013</u> - no adjustment <u>2012</u> - adjustment of \$44k <u>2011</u> - no adjustment	N/A	No pattern yet.	Small step of total scope needed.
e.	Verify disposed tons and disposal expense by Member Agency	Included in above	<u>2013</u> - adjustment of \$198k <u>2012</u> - adjustment of \$86k <u>2011</u> - no adjustment	Some routeware data reporting improvements needed.	Major adjustments in the last two years.	This is a critical scope item as it relates to \$26 million of disposal expense in 2013 . No change recommended.
f.	Verify final balance owed to/from Recology and Member Agency	Included in above	<u>2013</u> - adjustment for West Bay \$187k <u>2012</u> - various adjustments \$1.032 million <u>2011</u> - no adjustment	N/A	Adjustments needed last two years.	This is a critical scope item associated with confirming that the revenue reconciliation figures are correct. 2013 balance was \$1.2 million . No change recommended.
2.	Verify the Recology Attachment Q revenue for unscheduled services	\$4,979	<u>2013</u> - no adjustment <u>2012</u> - adjustment of \$110k <u>2011</u> - no adjustment	N/A	Adjustment to Recology balance of \$110k for overstated agency fee calc. in 2012	Total gross Att. Q revenue is \$1 million. Consider auditing every other year.
a.	Verify credit for 20% of back yard service is correctly calculated	Included in above	<u>2013, 2012, 2011</u> - no adjustment	N/A	Consistent correct reporting.	Small step of total scope needed. 2013 back yard credit was \$88k.

SUMMARY TABLE OF CONTRACTOR'S AUDITS FOR CALENDAR YEAR 2011 - 2013

		<u>2013 COST</u>	<u>FINDINGS</u>	<u>RECOMMENDATIONS</u>	<u>TRENDS</u>	<u>COMMENTS</u>
3.	Verify the Recology statistics used for cost allocation and the results	\$13,400	<u>2013, 2012, 2011</u> - no adjustment	N/A	Consistent correct reporting.	This is a critical scope item associated with the cost allocation process. Recology 2013 cost to allocate was \$58 million . No change recommended.
4.	Review of SBR self-haul revenue transfer to SBWMA	\$2,663	<u>2013, 2012, 2011</u> - no adjustment	N/A	Consistent correct reporting.	This is a critical scope item to review \$6 million of self haul revenue collected by SBR and remitted to the SBWMA in 2013. No change recommended.
5.	Review of SBR commodity revenue transferred to SBWMA	\$2,350	<u>2013</u> - adjustment of \$3k <u>2012</u> - adjustment of \$5k <u>2011</u> - no adjustment	N/A	Small payment errors in the last two years.	This is a critical scope item worth \$11 million in commodity revenue remitted to the SBWMA in 2013. No change recommended.
a.	Verify commodity prices paid by SBR to SBWMA for commodity revenue	\$2,663	<u>2013, 2012, 2011</u> - no adjustment	N/A	Consistent correct reporting.	Consider change to bi-annual. Price verification also done by Ops. Manager
b.	Verify CRV calculations paid by SBR to SBWMA for commodity revenue	\$2,350	<u>2013, 2012</u> - no adjustment <u>2011</u> - adjustment of \$67k	Improve reporting and follow-up with state for CRV	Correct reporting in last two years. Subsequent staff review has found significant errors (\$34k) - still under review.	This is a critical scope item worth \$4 million in 2013 CRV payments (included in commodity revenue). No change recommended.
6.	Verify SBR Buyback Center payments reimbursed by SBWMA	\$2,975	<u>2013</u> - small errors noted <u>2012, 2011</u> - no adjustment	N/A	Consistent correct reporting.	This is a critical scope worth \$600k in 2013 reimbursement . No change recommended.
7.	Review of SBR's scale house procedures critical to tonnage reporting	\$11,394	New in 2013: major weaknesses noted by Recology and SBR	New in 2013: major improvements recommended to improve tonnage reporting by Recology and SBR	New item in 2014.	This is a critical scope item. No change recommended.
	TOTAL COST FOR FINANCIAL SYSTEMS AUDIT	\$60,692				

SUMMARY TABLE OF CONTRACTOR'S AUDITS FOR CALENDAR YEAR 2011 - 2013

		<u>2013 COST</u>	<u>FINDINGS</u>	<u>RECOMMENDATIONS</u>	<u>TRENDS</u>	<u>COMMENTS</u>
	SCOPE OF ANNUAL REPORT AUDIT					
1.	Verify completeness and mathematical accuracy of Quarterly and Annual Reports	\$8,468	<p><u>2013</u> - Information generally complete and data stated properly with one material exception related to SBR Organics diversion.</p> <p><u>2012</u> - Information complete and data stated properly with one minor exception related to SBR "Other Transfer Station Diversion".</p> <p><u>2011</u> - Missing information and mathematical errors found.</p>	<p><u>2013</u> - 3 recommendations to improve clarity of reporting</p> <p><u>2012</u> - 1 recommendation to improve SBR's Annual Report</p> <p><u>2011</u> - 2 recommendations for Recology to re-state it's Annual Report to include missing and/or incomplete information and for SBR to re-state it's Annual Report to fix mathematical errors</p>	The contractor's have continued to refine their systems to generate accurate and complete reporting. However, the data and reporting requires numerous restatements over the course of each year and supplementing staff's efforts in reviewing the complicated and extensive source data continues to be justified.	This task entails the supplemental review by an independent 3rd party and staff is recommending a reduction to the scope of work in this area given past improvements in reporting by the contractors.
2.	Verify accuracy of tonnage data reported by Recology and SBR	\$19,447	<p><u>2013</u> - No variances found</p> <p><u>2012</u> - No variances found</p> <p><u>2011</u> - Double counting of curbside recycling materials found</p>	<p><u>2013</u> - No recommendations</p> <p><u>2012</u> - No recommendations</p> <p><u>2011</u> - 2 recommendations regarding Recology's reporting of batteries/cell phones, used oil and filters</p>	The contractor's have improved their documentation and reporting systems and now generate reports relatively seamlessly.	Reporting of tonnage is fundamental to the core functions of both contractors and is relied on for many reasons, continuing a reduced level of auditing, this data is recommended.
2a.	Verify accuracy of tonnage allocation by Member Agency by Recology	Included in above	<p><u>2013</u> - No variances found</p> <p><u>2012</u> - Variances found due to timing of changes in allocation factors</p> <p><u>2011</u> - Variances found due to Recology manually tracking abandoned waste and allocation methodology changes</p>	<p><u>2013</u> - No recommendations</p> <p><u>2012</u> - 2 recommendations regarding documenting and changing tonnage allocation percentages during the year</p> <p><u>2011</u> - 3 recommendations for Recology to improve reporting regarding abandoned waste, changes in allocation methodology and explaining manual allocation of tons</p>	The allocation of tons across the Member Agencies by Recology has stabilized over the first few years of the contract, although there continue to be variances annually.	The Board has expressed concern with how tonnage is allocated and given the equitable implementation of this methodology is critical in determining the amount of tons each Member Agency generates. Not recommending a reduction to the scope of auditing in this area.
3.	Verify accuracy of customer service data reported	\$18,468	<p><u>2013</u>, <u>2012</u> and <u>2011</u> - Variances found due to call coding errors</p>	<p><u>2013</u> - 5 recommendations regarding customer service ticket coding errors and financial adjustments</p> <p><u>2012</u> - 3 recommendations regarding customer service ticket coding errors and financial adjustments</p> <p><u>2011</u> - 14 recommendations regarding customer service ticket coding errors and financial adjustments</p>	Recology continues to experience problems with customer call center call coding and reporting.	This self-reported data is the only source of data that is required to be produced and relied on to ensure that Recology is providing the services described in the Franchise Agreements to the quality standards prescribed in the Agreements. Not recommending a reduction in the scope of auditing in this area.
4.	Verify accuracy of Liquidated Damages and Performance Incentive and Disincentive payments	\$8,468	<p><u>2013</u>, <u>2012</u> and <u>2011</u> - Variances found due to call coding errors, documenting reportable Liquidated Damages and Performance Incentives and Disincentives events</p>	<p><u>2013</u> - 2 recommendations to improve reporting of Liquidated Damages Events and financial adjustments</p> <p><u>2012</u> - problems with customer service ticket coding and financial adjustments</p> <p><u>2011</u> - 4 recommendations including Recology restating its Annual Report and financial adjustments</p>	See above.	See above.
	TOTAL COST FOR ANNUAL REPORT AUDIT	\$54,850				
	COMBINED COST	\$115,542				