Landfill Lease Agreement
Follow-Up Audit
July 2008

Patrice Randle, City Auditor
Craig Terrell, Assistant City Auditor
Lee Hagelstein, Internal Auditor

ARLINGTON

City Auditor's Office

July 25, 2008

Honorable Mayor and Members of the City Council:

I am pleased to present the City Auditor's Office's follow-up on the Landfill Lease Agreement report released in May 2007. The purpose of the follow-up was to determine the implementation status of prior audit recommendations.

Our follow-up audit results indicate that management has implemented all of the recommendations made in the previous audit report.

We would like to thank management for assisting the City Auditor's Office during this project.

Patrice Randle

Patrice Randle, CPA
City Auditor

c: Jim Holgersson, City Manager
Fiona Allen, Deputy City Manager
Bob Byrd, Deputy City Manager
Gilbert Perales, Deputy City Manager
Trey Yelverton, Deputy City Manager

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Landfill Lease Agreement Follow-Up Audit

Office of the City Auditor
Patrice Randle, CPA
City Auditor

Project #08-11 **July 25, 2008**

Executive Summary

The First Amendment to the Landfill Lease Agreement was reviewed to ensure implementation of recommendations

Both of the recommendations stated in the audit were implemented

Implemented

- ***Lease Agreement was amended to clarify the verbiage in Section 4.14***
- ***Lease Amendment authorized the annual adjustment of the City Collector Disposal Fee***

The City Auditor's Office has completed a follow-up to the May 4, 2007 Landfill Lease Agreement Audit. The follow-up audit was conducted in accordance with generally accepted government auditing standards. The objective of the follow-up was to determine the status of prior audit recommendations.

There were two recommendations in the initial audit report. Management concurred with both of the recommendations presented and both have been implemented.

Management approved and executed the First Amendment to the Landfill Lease Agreement which authorized the annual adjustment of the City Collector Disposal Fee. This adjustment will keep the City's revenue source in tact by increasing the City Collector Disposal Fee proportional to the increase in the City Waste Disposal Fee.

The Amendment to the Landfill Lease Agreement also clarified the language in the original contract with regard to the City Collector Disposal Royalty Fee (now known as the City Collector Return). The Amendment designated more clearly the basis by which the City Collector Return would be calculated.

Audit Scope and Methodology

The City Auditor's Office reviewed various documents relating to this follow-up audit. The following methodology was used in completing the audit:

- Reviewed the Staff Report and Resolution 07-291 which authorized the execution of the First Amendment to the Landfill Lease Agreement
- Reviewed the Amendment to the Landfill Lease Agreement
- Reviewed the Staff Report and Resolution 07-292 which authorized the annual adjustment to the City Collector Disposal Fee. The Resolution adjusted the rate from $21.25 to $22.80 which would become effective June 2007.
- Reviewed the Staff Report and Resolution 08-158 which authorized the current adjustment to the City Collector Disposal Fee. The Resolution adjusted the rate from $22.80 to $24.20 which would become effective June 2008. The Resolution also changed the name of the City Collector Disposal Royalty Fee to the City Collector Return.

Status of Prior Audit Recommendations

Recommendation:

The Environmental Services Director should request that the City Council approve a resolution that modifies the Lease Agreement to clarify Section 4.14 of the Lease Agreement.

Management's Response:

Concur with recommendation. A significant change to the lease document is scheduled for consideration by the Mayor and City Council on May 22, 2007. Part of the recommended change includes annually adjusting the City Collector Royalty Fee. While the language in 4.14 is preserved as written, modifications to Section 4.03 and 4.07 are responsive to this recommendation.

Target Date: June 1, 2007
Responsibility: Robert S. Byrd

Implementation Status:

Implemented. Management executed Resolution 07-291 which authorized the First Amendment to the Landfill Lease Agreement. The amendment adequately clarified the verbiage from the original Landfill Lease Agreement to resolve this recommendation.

Recommendation:

The Environmental Services Director should recommend a methodology to increase the City Collector Disposal Fee that preserves the City Collector Disposal Royalty Fee.

Management's Response:

Concur with recommendation. Changes being considered by the Mayor and City Council on May 22, 2007 incorporate a methodology that preserves the City Collector Disposal Royalty Fee which will satisfy this recommendation.

Target Date: June 1, 2007
Responsibility: Robert S. Byrd

Implementation Status:

Implemented. The First Amendment to the Landfill Lease Agreement authorized the annual adjustment of the City Collector Disposal Fee. The City Collector Disposal Fee will be adjusted annually using the same methodology as is used to adjust the City Waste Disposal Fee. Both fees will be adjusted proportionally which will preserve the City Collector Disposal Royalty Fee (now known as City Collector Return).