

**Nassau County
Office of the Comptroller
Field Audit Bureau**



**Audit of the
Port Washington Garbage District**

HOWARD S. WEITZMAN

Comptroller

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NASSAU COUNTY
OFFICE OF THE COMPTROLLER

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Background

In Nassau County, the county government is not responsible for collecting or disposing of solid waste from county residents and commercial establishments. Instead, garbage collection in Nassau is arranged by the county's towns, cities, villages and, in some unincorporated areas not served by the towns, by a number of local, special "sanitary districts."¹ Local sanitary districts provide services only to residents and commercial establishments within their borders, and district expenses are paid for through local tax levies.²

Earlier this year, the County Assessor and others pointed out that the revenue raised and expenditures made by special taxing districts such as these sanitary districts occurred with little public scrutiny or governmental oversight. In response, our office undertook audits of the financial operations of a sample of Nassau's sanitary districts: The Port Washington Garbage District in North Hempstead; the Syosset Sanitary District in Oyster Bay, and Sanitary Districts 1, 2 & 6 in Hempstead. The sanitary districts in the sample generally maintained high tax rates or experienced large tax rate increases from 2004-2005 when compared to districts performing similar functions. Special sanitary district operations vary in size and complexity; some retain independent offices with fully equipped staffs while others share town administrative resources. In a few instances, districts contract with private haulers for refuse collection services.

This audit report reviews the financial operations of the Port Washington Garbage district (district), which contracts with a private hauler to provide refuse collection services to 5,804 residential and 738 commercial parcels. The district provides curbside refuse service to residents and commercial properties three days a week. For the fiscal year ending December 31, 2004, the cost of this service was \$1,651,147. The district derives all of its operating revenues, other than interest earned on investments, from real property tax assessments collected by the town of North Hempstead and forwarded to the district semiannually.

Audit Scope and Methodology

The scope of our audit was limited to an examination of the District's administrative policies, procedures and expenses; procurement practices and contract monitoring; an analysis of operating costs and the appropriateness of its fund balance for fiscal year 2004.

This audit was conducted in accordance with generally accepted government auditing standards. These standards require that the audit is planned and performed to obtain reasonable assurance that the audited information is free of material misstatements. The audit includes examining documents and other evidence to substantiate the accuracy of

¹Nassau County sanitary districts are governed by the New York State Town Law, the Nassau Civil Divisions Act, and the Nassau County Charter.

² Town Law Article 12 § 198.

information tested, including all relevant records and contracts. It includes testing for compliance with applicable laws and regulations and any other auditing procedures necessary to complete the examination. We believe that the audit provides a reasonable basis for the audit findings and conclusions.

We recognize the cooperation afforded us by the Port Washington Garbage District Commissioners in the audit process.

Port Washington Garbage District Response

The matters covered in this report have been discussed with district officials during the audit. On August 8, 2005 we submitted a draft report to district officials with a request for comments. The district's response was received on August 15, 2005 and they are in agreement with our findings and recommendations.

Administrative Policies, Procedures and Expenses

A Board of Commissioners consisting of three commissioners oversees the financial operation of the district. Pursuant to the Nassau County Civil Divisions Act (Act), in districts where the annual budget exceeds \$800,000, a Commissioner's total compensation may not exceed \$7,500 per year³. None of the district's Commissioners were paid more than the \$7,500 limit; in fact, the total paid for all Commissioners was \$8,800 for the year 2004. Therefore, the district is in compliance with the Act. In addition to the three commissioners, the district's legal counsel attends the district's twice monthly board meetings. All commissioners assist in the management of the district on a day-to-day basis. All receipts and disbursements are reported monthly to the board. Administrative expenses, including but not limited to commissioners' fees, legal and professional expenses, and insurance totaled \$31,146 or less than 2% of district expenses for the year 2004.

During our review, we did not observe any indications of inadequate internal controls over administrative expenses or that there were any material misstatements.

Procurement Practices and Contract Monitoring

The district has established policies and procedures for the bidding process used to award its refuse collection contract. The district issues a Request for Bids for refuse collection services every two years. We reviewed the procurement practices followed in the award of the district's 2003-2004 refuse collection contract to determine whether proper bidding procedures were followed. The district awarded the 2003-2004 contract to the vendor it determined to be the lowest responsible bidder⁴.

The district monitors its refuse collection contract monthly. Although the contract price is fixed and includes both refuse collection and removal, the contract does allow for increases or decreases in tipping fees (fee per ton charged by solid waste transfer stations to dump collected refuse) to be refunded or charged based on the actual refuse tonnage collected. Any change in the tipping fee is multiplied by the actual tonnage on tipping receipts and that amount is either charged or refunded to the district. The district reconciles these receipts with the contractor invoices monthly. Differences found between contractor charges and tipping fee receipts are resolved with the contractor in a timely manner. In our review of district procurement and monitoring practices, we found that the district is vigilant in this reconciliation process, which helps to ensure that tipping fee charges are accurate.

The district retains a lawyer at an annual retainer fee to handle the district's legal issues and an auditor to perform its annual audit. There is an oral, but no written, agreement

³ Nassau County Civil Divisions Act Chapter II Article 1 §203.0.

⁴ It appears that as evidence of the bidder's responsibility, the district's request for bids requires that the bidder is a licensed Carter within the Town of North Hempstead and is in compliance with the Town's requirements. In addition, bidders must provide a statement of qualifications giving evidence of sufficient facilities, equipment, experience, and financial ability.

between the parties for what these services include and both the auditor and lawyer have served the district for many years.

Recommendations

To ensure that the district is getting the best value, the board should establish a procurement policy for professional services in compliance with General Municipal Law Section 104-b. The board's policy should, inter alia, ensure competition and that auditing firms are not permitted to serve for more than a set number of years consecutively. In addition, the board should require formal written agreements for all contracted services.

Cost Analysis of Operations

The average cost per parcel (based on the 2004 tax levy) in the Port Washington Garbage District is \$275. Tax levies vary annually, based on district expenses and use or accumulation of fund balances. This compares favorably to the average cost of \$300 per parcel for the other sanitary districts in the Town of North Hempstead. Its cost per ton, based on actual annual expenses for 2004, was \$114.99.

Appropriateness of Fund Balance

The NYS Comptroller conducted a study of unreserved and unappropriated fund balances in selected special districts in Nassau County for the period January 1, 1998 through December 31, 2000. The study indicated that "recent changes in state Law and prudent budgeting practices allow a reasonable amount of unreserved fund balance to be retained to ensure the orderly operation of the district and continued provision of services."

We reviewed the fund balance maintained by the district in 2004 using the State Comptroller's recommendations and district policy to determine its appropriateness. The district policy includes the maintenance of a fund balance level to meet its operating expenses for the first six weeks of the following calendar year (due to the timing of tax receipts) and any unforeseen increase in District expenditures. The fund balance of \$224,419 for 2004 complies with district policy and the State Comptroller's recommendations and appears appropriate.