

# LIQUID WASTE HAULER PROGRAM AUDIT

*PROGRAM EVALUATION AND AUDIT*

DRAFT



**METROPOLITAN**  
C O U N C I L

October 30, 2019

# INTRODUCTION

## Background

The Metropolitan Council operates a system of water treatment plants that aim to clean water and reduce waste. As part of this purpose, the Metropolitan Council's Environmental Services Division (MCES) allows private entities to dispose five types of hauled waste at its wastewater treatment plants. Providing this service allows these wastes to be properly treated.

To control the discharge of these wastes and limit access to approved disposal sites, MCES created the Liquid Waste Hauler (LWH) Permit Program. The program allows MCES to permit private entities to dispose of waste materials safely and to recover costs through load charges. Once on permit, entities are given an access card that grants access to the disposal site. Entities are assessed load charges based upon the type, volume, and strength of the disposed waste. Entities are billed either quarterly or semi-annually and must provide quarterly or semi-annual Liquid Waste Hauler Reports to MCES staff.

Truck scales are used at two disposal sites and flow meters at a third site. The data collected from these sites and log sheets from the fourth site is entered into a database (Matrex). Reports from this database are compared to what the haulers report on their LWH Reports. If a hauler misses reporting a load that is recorded in Matrex, data from the scale, flowmeter or log sheet is added to their overall volumes.

## Objective

The purpose of this audit was to evaluate the effectiveness and efficiency of key controls for the LWH permit program including those for:

- Enrolling and renewing LWHs permits for the program;
- Ensuring LWHs are meeting the terms of their permit;
- Ensuring LWHs are following the Waste Discharge rules and;
- Onsite controls.

This audit considered the Council's *Thrive MSP 2040* outcomes and principles. Providing a location for disposing industrial waste is reflected in *Thrive MSP 2040*'s desired outcomes of stewardship, sustainability, and livability. *Thrive MSP 2040*'s principle of collaboration is reflected in working with the business community to provide a place for to dispose of waste.

## Scope

The period of the review was the 2018 calendar year. All four disposal sites and all 88 liquid waste haulers were subject to review. A judgmental sample of 15 LWHs was chosen to conduct many of the tests described below in the observations.

## Methodology

Over the course of the audit, interviews were conducted with MCES and Finance staff on the topics of billing, electronic submissions, access controls, and the permit process. LWHs' self-monitoring reports (SMRs), invoices, and permits were reviewed as part of a desk review. Additionally, two site visits were conducted to observe the site access and discharging controls.

# OBSERVATIONS

Several processes and procedures were reviewed. Most processes and procedures were found to be functioning without issue. Below is a summary of the reviewed areas and the results.

## Permit Observations

### Reporting

#### Report Frequency

Depending on the amount of waste discharged, LWHs are required to either complete and submit a SMR at the end of each quarter or semi-annually. The SMR details which types and how much waste was discharged during the reporting period and is used for billing. Fifteen LWHs were reviewed to determine if the LWH was meeting their reporting requirements. For 2018, the 15 reviewed LWHs met the reporting requirements stated in clause B1 of their permit.

#### Report Accuracy

MCES uses SMRs to bill LWHs and reviews the SMRs to ensure accuracy. The transaction data of 10 entries for five LWHs (n=50) were compared to the amount the LWH reported on their SMR. There were two exceptions: 1. In two instances, LWH did not report discharging on two days in which they discharged and; 2. In nine instances, LWH did not report the same discharged amount that MCES internal data did. MCES was able to provide justification for the differences as 1. Input error and the data was found in other dates and; 2. Different evaluation methods. These justifications adequately addressed the exceptions.

### Permit Fees

MCES assesses permit fees on industrial users in April of each year. A judgmental sample of fifteen industrial users were reviewed to verify payment of applicable annual permit fees. Of the permittees reviewed, 87% paid the required annual permit fee promptly. The 13% that missed the payment due date, paid the required annual permit fee before using the waste hauler disposal sites.

### Sampling

#### Sampling for Industrial Waste

LWHs who plan on disposing of hauled Industrial waste must have their waste sampled, tested and the results approved by MCES, quarterly or semi-annually, prior to discharging their waste at an MCES facility. Three of these Special Discharge Approvals or Special Discharge Permits were requested from the original sample size of LWHs. MCES staff were able to provide the requested reports in a timely manner.

#### Random Sampling

MCES performs random sampling and testing on what LWHs discharge. The purpose of this is to verify that the LWHs are reporting correctly and to ensure that MCES facilities can continue to process what the LWHs are discharging. MCES staff provided a list of all the random testing that was performed in 2018 and different LWHs from all the disposal sites were sampled at various times throughout the year. No issues were found with how the random sampling and testing was performed. However, the process is not documented and there is concern that without proper documentation the random sampling and testing would fail to continue with turnover of employees.

## Finance Observations

### Invoicing

#### Timeliness

The Waste Discharge Rules for the Metropolitan Disposal System (MDS) set forth guidelines for payment of finance charges.<sup>1</sup> It requires all invoices issued to industrial users to be paid within thirty calendar days of the billing date indicated on the invoice. It further requires any fee or charge not paid within thirty calendar days to be subjected to an additional monthly interest charge of up to 1.5%. A judgmental sample of 35 LWH invoices for nine LWHs in 2018 were reviewed to determine compliance with payment requirements. Of the 35 reviewed, nine invoices were not paid by the due date. Staffing shortages in accounts receivable (AR) in the previous year were provided as a reason for not assessing the 1.5% monthly interest charge on late payments. It was noted per subsequent discussions with AR that staffing issues have been addressed and greater efforts are being made to pursue collection of interest charges. AR provided evidence of assessing interest charges on current invoices.

#### Accuracy

Per the Waste Discharge Rules<sup>2</sup> and the permit<sup>3</sup>; LWHs are billed based on their self-reported volumes of waste and the rates for the year in which they discharge waste. After reviewing a sample of LWHs' self-monitoring reports, special discharge reports, invoices, and additional information from MCES; we re-calculated invoiced amounts and compared the results against the total value for each invoice, the results revealed minor discrepancies between the two amounts, which mainly can be attributed to rounding. The only discrepancy to note is that two numbers were transposed on one invoice.

#### Work Instructions and Procedure Documentation

MCES liaises with AR to prepare and send out invoices for LWH fees and charges. Work instructions and procedures used by AR to support hauler billing and invoicing processes were found to be outdated. The procedure for collecting past due industrial user accounts (which includes the process for LWHs) has not been revised since 12/07/2004. Updated work instructions can be useful for new staff.

#### Recommendation

1. **(Essential)** AR should review and update current work instructions and written procedures for billing and collecting industrial user payment. To ensure that documents stay up to date, AR must also set and follow a schedule for reviewing and revising work instructions and collection procedure.

**Management Response:** The work instructions for the collections of MCES accounts receivable invoices has been reviewed and updated by Accounts Receivable and Environmental Services. The collections procedure will be reviewed and updated on a yearly basis by the AR supervisor, Director of ES Finance and the Manager of Industrial Waste.

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<sup>1</sup> Waste Discharge Rules (2013), Section 306.00

<sup>2</sup> Waste Discharge Rules (2013), Section 303.02

<sup>3</sup> Liquid Waste Hauler Permit Section D, Item 3

**Staff Responsible:** AR Supervisor – Chris Houser, Bob Nordquist – Manager of Industrial Waste, Ned Smith – Director of ES Finance and Revenue, Marie Henderson – Deputy CFO

**Timetable:** Documents were updated October 14, 2019 and will be reviewed yearly.

**Thrive 2040 Principles:** Sustainability

## Onsite Controls

### Site Access

Per section 303.00 of the Waste Discharge Rulebook (2013), all permitted LWHs should have access to ES disposal sites and those LWHs who do not have a permit or have had their permits cancelled should not be allowed to discharge waste. A list of LWHs who accessed ES disposal sites in 2018 was compared against those LWHs who had a permit in 2018. No discrepancies were found.

### Scale Calibration

Per the Department of Commerce, an organization must have a commercial quality scale inspected and approved by the Weights and Measures Division if they buy or sell a commodity or service by weight. We requested the calibration/inspection certificate for the Metro Plant since it receives the highest volume of waste from LWHs. ES staff provided the calibration/inspection certificate. We verified that the certificate was current and was done by the Minnesota Department of Commerce.

## CONCLUSIONS

The Liquid Waste Disposal Program is critical in ensuring industrial liquid waste is disposed of responsibly in the seven-county metropolitan area. MCES' controls for permitting and onsite access were functioning for the sample reviewed. While there were issues with the collection of payments in a timely manner, Finance has already taken steps to improve late payment collection. Additionally, there is an opportunity to update work instructions for internal reference.

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## Appendix

Program Evaluation and Audit recommendations are categorized according to the level of risk they pose for the Council. The categories are:

- **Essential** — Steps must be taken to avoid the emergence of critical risks to the Council or to add great value to the Council and its programs. Essential recommendations are tracked through the Audit Database and status is reported twice annually to the Council's Audit Committee.
- **Significant** — Adds value to programs or initiatives of the Council but is not necessary to avoid major control risks or other critical risk exposures. Significant recommendations are also tracked with status reports to the Council's Audit Committee.
- **Considerations** — Recommendation would be beneficial but may be subject to being set aside in favor of higher priority activities for the Council or may require collaboration with another program area or division. Considerations are not tracked or reported. Their implementation is solely at the hands of management.
- **Verbal Recommendation** — An issue was found that bears mentioning but is insufficient to constitute a control risk or other repercussions to warrant inclusion in the written report. Verbal recommendations are documented in the file but are not tracked or reported regularly.

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