

AUDIT AT A GLANCE

WHY THIS AUDIT MATTERS

Contracted services are used extensively for waste haulage, landfilling operations and construction at Green Lane. The planning and operations of waste disposal at Green Lane is also essential in meeting the goals of the Long Term Waste Management Strategy to balance the needs of the community, the environment and long-term financial sustainability.

KEY MESSAGE

One aspect of the Long Term Waste Management Strategy is to increase diversion to contingency sites in order to extend the life of Green Lane. The City's waste profile has changed dramatically since the Green Lane contracts were established and also since redirection to contingency sites was put in place. It would be prudent to review opportunities to reduce operational costs, while considering the impact on Green Lane's lifespan and the eventual cost to replace it.

BACKGROUND

The City purchased Green Lane in 2007 to secure the long-term disposal of its solid, non-hazardous waste. Solid Waste Management Services Division conducts daily site supervision and contract management. This audit focuses on the effectiveness of procurement and contract management processes and controls of landfill operations.

BY THE NUMBERS

- Value of contracts reviewed is \$265M.
- Tonnage of waste landfilled at Green Lane has declined from 740,000 tonnes in 2011 to 495,000 tonnes in 2017. 88% of the waste is from City transfer stations.
- Contingency landfill capacity of 325,000 tonnes per year has been contracted.
- 250 loads of waste per week are hauled from City transfer stations to Green Lane.
- Since 2011, 2,849 of 90,000 loads (3.2%) were overweight.

Auditor General's Office

Integrity, Excellence and Innovation

Review of the Green Lane Landfill Operations: Management of the Contracts Needs Improvement

WHAT'S WORKING WELL

Green Lane is an award-winning landfill site. The City has secured back-up landfill capacity for 10 years. The processes for review and payment of waste haulage invoices are effective and it appears that Green Lane operations are relatively well managed by City staff.

AREAS FOR CONTINUOUS IMPROVEMENT

Opportunities Exist for Reducing Landfill Operation Costs

We observed higher costs incurred as a result of some current practices. For example:

- The City can reduce current operating costs by \$319,500 per year by optimizing tonnage to Green Lane although this will impact the site's lifespan.
- The Fuel Surcharge Adjustment is not applied to the calculation of monthly minimum landfill fee and doing so would result in annual savings of \$21,500 and a one-time recovery of \$86,000.
- Non-competitive procurement practices should be used selectively and with well supported reasons.

There are opportunities for cost savings in the design of future contracts. For example:

- The Fuel Surcharge calculation for waste haulage could be improved in a manner that is fair yet more beneficial to the City.
- Determination of the guaranteed tonnage and the monthly minimum landfill fee should consider the Long Term Waste Management Strategy's impact on waste volumes.
- Determination of contract contingency amounts should be better supported by analysis and risk assessment.

More Comprehensive and Effective Controls Are Needed

We identified some process and control deficiencies:

- Operational risks in waste haulage, such as load weight compliance and subcontractor usage, require better monitoring.
- Change order requests do not include competitive quotes, do not provide sufficient information and are not approved timely.
- Review and processing of Operations and Engineering invoices and payment requests is not diligent and effective.
- A comprehensive landfill operational manual does not exist.

HOW RECOMMENDATIONS WILL BENEFIT THE CITY

This audit makes 18 recommendations pertaining to the procurement and contract management of Green Lane operations. These recommendations could also be applied to construction and other capital activities at Green Lane.

Better procurement and management of these contracts would reduce costs, enhance efficiency of site operations and monitoring, and strengthen compliance with regulations, policies and procedures.

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