

AUDIT AT A GLANCE

Audit of Solid Waste Management Services – Contract Management for Solid Waste Collections, Organics Processing Services and Construction Projects

WHY THIS AUDIT MATTERS

Solid Waste Management Services (SWMS) is responsible for collecting, transporting, processing, composting and disposing of municipal and some private sector solid waste.

If solid waste accumulates in public areas and in local bodies of water, it can degrade our environment and negatively impact human health.

BACKGROUND

This audit assessed whether SWMS has contract management systems, policies, and processes in place to monitor the performance of contracted service providers and hold them accountable, and whether contract payments are properly supported and in accordance with the City's policies and procedures.

BY THE NUMBERS

- SWMS' diverse contract portfolio is valued at **\$1.8 billion** with over **300 contracts**
- Our audit reviewed **17 contracts** (valued at **\$793 million**) including service providers (collections and organics processing), external consultants, and construction contractors
- **7,045 missed pick-ups**, including **41 instances of whole streets missed**, per 311 service request data from January to June 2025 for sampled collection contracts
- **45% of consultant payment samples** did not have the required inspection reports from external consultants
- To date, SWMS **recovered \$12.9K** related to invoice errors and **\$14.6K** related to change order errors identified as a result of this audit

WHAT WE FOUND

A. Ensuring Contractual Performance Requirements are Met Through Enhanced Monitoring Activities and Accountability Mechanisms

- We identified opportunities for SWMS to further improve its contract management practices across different contract types:
 - **Collection service providers** – While management reported that contracted collection services were reliable 99.9 per cent of the time in 2025, we found that missed collection service request volume for two sampled contracts increased by 33 per cent from 2020 to 2025. The service provider did not address the initial missed collection service request for 43 per cent of the disputed service requests from January to June 2025.
 - **Organics processing facility operators** – Operators did not consistently meet some performance standards and requirements related to equipment maintenance and spare parts inventory management, regulations, and health and safety requirements. While SWMS identified these performance issues, corrective actions were not consistently enforced, increasing operational, service delivery, and health and safety risks.
 - **External consultants on construction projects** – Consultants did not always include inspection reports or sufficient details to verify work progress as per the contract requirements. The consultants did not consistently document or respond to Requests for Information within required timeframes, increasing the risk of project delays and disputes.
- We found additional accountability mechanisms (e.g., key performance indicators, performance targets) could enhance monitoring and incentivize contract performance, as we found staff were unable to or did not apply some of the available mechanisms. For example, we found that some liquidated damages clauses in collections service provider contracts may not always allow SWMS staff to apply them effectively.
- SWMS can better use performance evaluations to provide timely feedback. We found:
 - SWMS did not conduct formal performance evaluations for **collections and organics processing facility service providers** because the City's performance evaluation procedure does not clearly specify its applicability to these service contracts.
 - For 83 per cent of samples, SWMS did not consistently complete the minimum required performance evaluations for **construction contractors**.

B. Opportunities to Strengthen Payment and Change Order Review Processes to Ensure Compliance with Contracts, Policies and Procedures

- The audit identified improvement opportunities in the payment and change order review processes to increase transparency, strengthen cost controls, and prevent overpayments. We found:
 - \$27,600 of overpayments to **service providers** because SWMS did not always verify that services were performed, and \$14,000 of pricing and/or mathematical errors were identified in **change orders** due to inadequate review for pricing accuracy.
 - 77 per cent of applicable change order samples did not have the required change directive form (for **construction contractors**) or written authorization (for **external consultants**) before work was performed.
- There is no policy or centralized process to track and analyze change orders, limiting SWMS' ability to identify trends, assess root causes, and address systemic issues.

HOW RECOMMENDATIONS WILL BENEFIT THE CITY

Implementing the 8 recommendations in the report will strengthen contract management and oversight, including holding vendors accountable, reducing the risk of overpayments and contract non-compliance, and supporting better management of project changes.