

**Follow-up Audit of the
Orange County Utilities
Department's
Environmental Surcharge
Program**



**Phil Diamond, CPA
County Comptroller
Orange County, Florida**

www.occompt.com



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County Audit Division

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Mission

The mission of the Orange County Comptroller's Office is to serve the citizens of Orange County and our customers by providing responsive, ethical, effective, and efficient protection and management of public funds, assets, and documents, as specified in the Florida Constitution and Florida Statutes.

Vision

The vision of the Orange County Comptroller's Office is to be recognized as a highly competent, cohesive team leading the quest for continuing excellence in the effective safeguarding and ethical management of public funds, assets, and documents.



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July 6, 2022

Jerry L. Demings, County Mayor
and
Board of County Commissioners

We have performed a follow-up audit of the Orange County Utilities Department's Environmental Surcharge Program (Report No. 444). The original audit, issued in January 2015, reviewed the period from October 2011 through December 2012. In order to test the status of the previous recommendation, we reviewed the period from January 2020 through December 2020.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The report summarizes the current status of the previous recommendation that includes implementation status and remaining recommended work. Additionally, a new recommendation was identified as part of this review. Following these two issues is the Utilities Department Director's response to the recommendations.

We appreciate the cooperation of Utilities Department personnel during the course of the audit.


Phil Diamond, CPA
County Comptroller

c: Byron Brooks, County Administrator
Chris Testerman, Deputy County Administrator
Ed Torres, Director, Utilities Department
Michael Hudkins, Manager, Water Reclamation Division

ENVIRONMENTAL SURCHARGE FOLLOW-UP

Audit Period
January 2020 – December 2020

We conducted a follow-up audit of our January 2015 Audit of the Orange County Utilities Department's Environmental Surcharge Program (Report No. 444). The prior audit report can be viewed at <https://www.occompt.com/county-audit/audit-reports/>.

There was one recommendation in the previous report. According to Utilities personnel, the recommendation was implemented for one year and was poorly received by customers. In response to this adverse customer reaction, Utilities changed its practices by removing customers from the program. We acknowledge the efforts made to reduce testing frequencies in order to achieve cost savings. However, there were no written procedures or documented approvals for removing these accounts.

In addition, we identified an additional concern that was not identified in the original audit regarding testing customers that qualify for the program.

RECOMMENDATION STATUS



BACKGROUND

The Orange County Utilities Department (Utilities) provides water, wastewater, reclaimed water, and solid waste disposal services to Orange County residents and businesses. Utilities serves over 310,000 water and wastewater accounts.

The County established the Environmental Surcharge Program in 2002 (The Program). The Program enables Orange County to help recover the costs of treating high strength wastes by monitoring wastewater discharges from commercial and industrial facilities. Utilities recovered over 2 million dollars to help recover the costs to treat high strength wastes for fiscal year 2021.

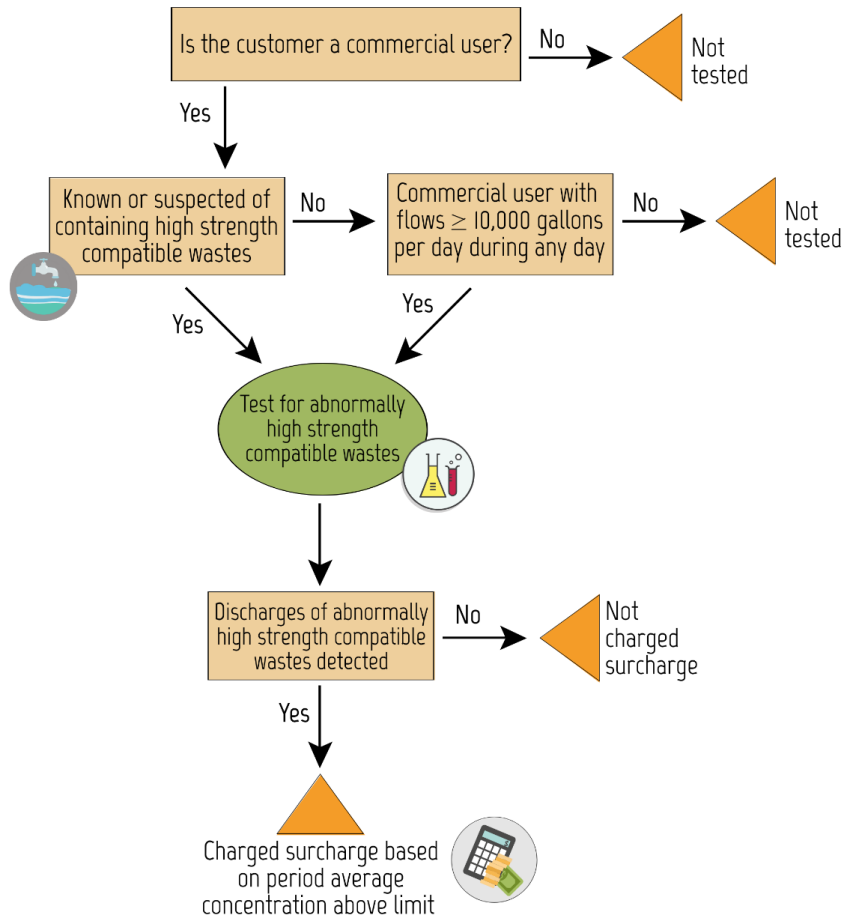
Customers that discharge elevated concentrations of nitrogen, phosphorous, suspended solids or whose wastes exhibit high biological oxygen demand are included in the Program. In order to accurately measure the volume of these substances in customer wastewater, the Program requires



samples to be collected on a regular basis, but no less than, once per year. A surcharge is added to the customer's bill if elevated concentrations are found.

According to Orange County Code Section 37-755, the determination of whether to include an account in the Program should be based on the following factors:

Determination For Testing Commercial Accounts According to Orange County Code



PRIOR RECOMMENDATION

Recommendation 1



The Utilities Department should consider reducing the frequency of sampling and testing Program participants with annual surcharges less than the sampling cost.

Current Status

In response to our previous recommendation, the Utilities Environmental Compliance Section reduced testing frequency to an annual or semiannual basis for customer accounts that did not generate sufficient revenue to cover sampling costs.

Unfortunately, the reduced testing frequency resulted in customer complaints because less frequent testing made it more difficult for customers to appeal applicable surcharges. In response to customer complaints, accounts with annual surcharge fees less than \$1,500 were removed from the program.

As a result, removed accounts would no longer be tested or reconsidered for testing unless permits were obtained or ownership changed. As such, customers with increased levels of pollutants would not be paying a share of the recovery costs.

We acknowledge the efforts made to reduce testing frequencies in order to achieve cost savings. However, there were no written procedures or documented approvals for removing these accounts.

WHAT REMAINS TO BE DONE

The Utilities Department should continue regularly testing customers that qualify for the Environmental Surcharge Program. In addition, written procedures should be developed to remove accounts from the Program. The procedures should include documenting appropriate levels of approval.

NEW RECOMMENDATION



New Finding

County Code Section 37-755 requires routine testing of accounts that are known to be or suspected of containing abnormally high strength compatible wastes or significant commercial users (SCUs) with flows of ten thousand (10,000) gallons or more per day during any day of any calendar year.

We noted the following required testing did not occur:

- During 2020, 107 customers paid environmental surcharge fees. However, Utilities did not test samples for 13 of those accounts. As such, these accounts were charged when they may not have been required to pay the additional charges.
- There are no procedures in place to identify and test customers with wastewater flows greater than 10,000 gallons in any one day. Our testing noted that samples were only collected from 14% (121 of 858) of commercial wastewater customers meeting the 10,000 gallon threshold during calendar year 2020. Accounts were only considered for inclusion in the Program when new customers were added to the system or when a change in account/property ownership occurred.

Without the required testing, Utilities would be unable to confirm whether surcharges should have been assessed and, if applicable, the amount the customer should have paid.

WHAT SHOULD BE DONE

The Utilities Department should develop and implement procedures to:

- A) Identify customers that should be sampled and tested for the Environmental Surcharge Program based on daily consumption; and,
- B) Ensure all customers that meet the criteria for testing are tested at least annually.

APPENDIX – MANAGEMENT RESPONSE



UTILITIES DEPARTMENT

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June 17, 2022

To: Phil Diamond, CPA, Orange County Comptroller

From: Ed Torres, MS, PE, LEED AP, Director

Ed Torres

Digitally signed by Ed Torres
Date: 2022.06.17 16:31:51
+04'00'

Through: Marc Cannata, PE, Deputy Director

Marc Cannata

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Date: 2022.06.17 16:32:10
+04'00'

Through: Mike Hudkins, PE, Manager, Water Reclamation Mark A. Robinson

Digitally signed by Mark A. Robinson
Date: 2022.06.17 16:37:53 +04'00'

Subject: Response to Follow-up Audit of the Orange County Utilities Environmental Surcharge Program

In connection with the recent follow-up audit of the Orange County Utilities Environmental Surcharge Program covering the period of January 2020 through December 2020 conducted by your office, below you will find the Orange County Utilities responses to the recommendations contained in the report. We appreciate the opportunity of benefitting from your independent review of the Environmental Surcharge Program, as well as the continued collaboration and productive interactions with your professional staff. We are grateful for the recommendations of areas for potential improvements and have already started the work to implement each of them.

Recommendation No. 1

"The Utilities Department should consider reducing the frequency of sampling and testing Program participants with annual surcharges less than the sampling cost. The Utilities Department should continue regularly testing customers that qualify for the Environmental Surcharge Program. In addition, written procedures should be developed to remove accounts from the Program. The procedures should include documenting appropriate levels of approval."

Utilities Response to Recommendation No. 1

Management concurs.

The primary focus of the program is to protect the treatment process within the wastewater treatment facilities. This is accomplished through program monitoring, sampling, testing, and accessing subsequent surcharges when applicable. When a customer has been determined by staff to not pose a threat to the wastewater treatment process and the amount received from the surcharges applied does not cover the costs of sampling and testing, the amount of sampling frequency may be reduced or the participant may be removed from the program, as applicable. This Standard Operating

Procedure (SOP) for the removal of accounts from the program will be developed and documented.

New Recommendation

"The Utilities Department should develop and implement procedures to:

A) Identify customers that should be sampled and tested for the Environmental Surcharge Program based on daily consumption; and,

E) Ensure all customers that meet the criteria for testing are tested at least annually."

Utilities Response to New Recommendation

Management concurs.

All existing and future program participants that meet the flow and wastewater strength parameter requirements will be evaluated and added or removed as applicable. This audit identified 13 customers out of 107 who didn't have a corresponding annual sample on file. Staff has reviewed all 107 customers and as of the date of this response, all 107 have been sampled. Staff also invested in developing more frequent and robust reports to help ensure that each program customer has a corresponding sample at the appropriate program interval.

738 additional commercial customers were identified that met the flow requirement to be included in the program. Further staff analysis determined that the majority of the 738 additional commercial customers (464 of 738 or 63%) have wastewater discharge characteristics consistent with domestic wastewater effluent and do not pose a threat to the wastewater treatment process and should therefore not be included in the surcharge program regardless of meeting the flow requirement.

This leaves the remaining 259 commercial customers who had daily flows ≥ 10 Kgal per day which requires further staff evaluation to determine if they are candidates for the program.

Going forward, all commercial users with flows ≥ 10 Kgal per day will be evaluated to determine if the discharge characteristics of their wastewater is residential/domestic in nature. If the wastewater characteristics are not considered residential/domestic in nature, further evaluation will be completed, and the customer will be added as a program participant. We are currently working on updating this SOP, and the enclosed business process flow chart to address this modification.

Facility Classification	Number of Facilities	Disposition
Residential / Multi-family / Mobile Homes	359	Effluent deemed domestic in character
Subtotal	359	
Plaza	38	Effluent deemed domestic in character / On O & G Program

Rehab / Nursing Home	8	Effluent deemed domestic in character / On O & G Program
Supermarket / Grocery	11	Effluent deemed domestic in character / On O & G Program
School	29	Effluent deemed domestic in character / On O & G Program
Church	6	Effluent deemed domestic in character / On O & G Program
Auto Dealership	4	Effluent deemed domestic in character / On O & G Program
Gas Station	8	Effluent deemed domestic in character / On O & G Program
Correctional	1	Effluent deemed domestic in character / On O & G Program
Subtotal	105	
Car Washes	15	Recycled Water / On O & G Program
Subtotal	15	
Hotel / Resort	111	Currently under Evaluation
Restaurant / Food	35	Currently under Evaluation
Laundromat	10	Currently under Evaluation
Hospital / Medical	9	Currently under Evaluation
Facilities on IPP Program	11	Currently under Evaluation
Miscellaneous Use	37	Currently under Evaluation
Commerce Center	22	Currently under Evaluation
Warehouse	10	Currently under Evaluation
Retail / Storefront	14	Currently under Evaluation
Subtotal	259	
TOTAL	738	

In closing, Orange County Utilities would like to reiterate our current and historic positive working relationship with your staff and commend their efforts on this audit follow-up and subsequent report. We consider these independent reviews as an opportunity to strengthen our operations, our service levels to our customers and visitors, and to continuously improve as a premier utility.

Determination For Testing Commercial Accounts According to Orange County Code

