



19-01

# INTERNAL AUDIT REPORT

## Landfill Licensing

September 2019

City of Sioux Falls Internal Audit Department  
Carnegie Town Hall | 235 West 10th Street  
Sioux Falls, SD 57117-7402  
[siouxfalls.org/council/internal-audit](http://siouxfalls.org/council/internal-audit)

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## Introduction

Commercial garbage haulers and commercial construction and demolition collectors operating in the City of Sioux Falls and utilizing the Sioux Falls Regional Sanitary Landfill are required, by City ordinance, to obtain a license issued from the City of Sioux Falls on an annual basis. The purpose of this audit was to review and evaluate the current Landfill Licensing process and review current controls and established policies and procedures utilized to monitor hauler compliance with Chapter 57: Garbage and Recycling of the Code of Ordinances of Sioux Falls, South Dakota.

## Background

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The Sioux Falls Regional Sanitary Landfill is referred to as Landfill throughout the report.

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The Sioux Falls Regional Sanitary Landfill is located approximately five miles west of Sioux Falls, SD, and is the largest landfill in the state of South Dakota. The Landfill serves a population of approximately 280,000 residents in a five-county region. This includes Minnehaha, Lake, Lincoln, McCook, and Turner Counties. The Landfill started accepting municipal solid waste (MSW) in 1979 and currently has a projected closure date of 2077. The City of Sioux Falls (City) solid waste and recycling system is a private, open system and no municipal collection is done. The Landfill is an enterprise fund and its fees are based on cost of service. Landfill revenues fund the solid waste system, which includes the Landfill, public drop-off sites, household hazardous waste collection, public education programs, and Environmental Center-related expenses. User fees fund the Sanitary Landfill System; therefore, no tax dollars are used to fund the solid waste system.

The purpose of the landfill hauler license is to protect the public health, safety, and welfare of residents and Landfill employees through monitoring and enforcement of collection and transportation of waste.

Table 1. Licensed Hauler Statistics

	2015	2016	2017	2018	2019
<b>Licensed Haulers</b>	28	29	31	28	27
<b>Licensed Trucks</b>	205	189	215	196	221
<b>Licensed Unit (roll offs)</b>	887	861	851	622	573

Annual license fees for commercial haulers are set by City Ordinance §110.036 and are collected by the Landfill as a part of the processing of the license application. The established commercial hauler fee structure listed below has not changed since inception.

Table 2. Commercial Hauler License Fees

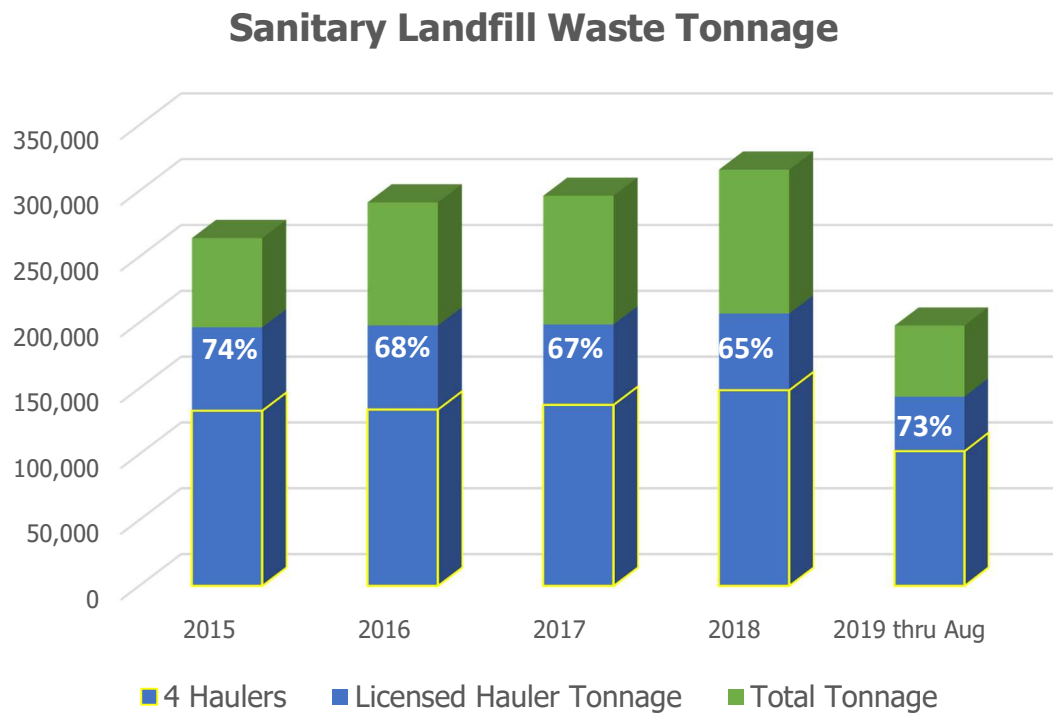
<b>Commercial Hauler License Fees:</b>	
New or Transferred Business License	\$100
Annual Fee, Before Expiration	\$50
Annual Fee, Within 30 Days after Expiration	\$100

Table 3. Additional License Fees

<b>Additional License Fees:</b>	
Garbage Hauling Unit, Per Unit (Annual Fee)	\$25
Construction and Demolition Hauling Unit, Per Unit (One-Time Fee)	\$25

Figure 1. Historical Waste Tonnage

Four haulers represent 68%–72% of the Licensed Hauler Tonnage

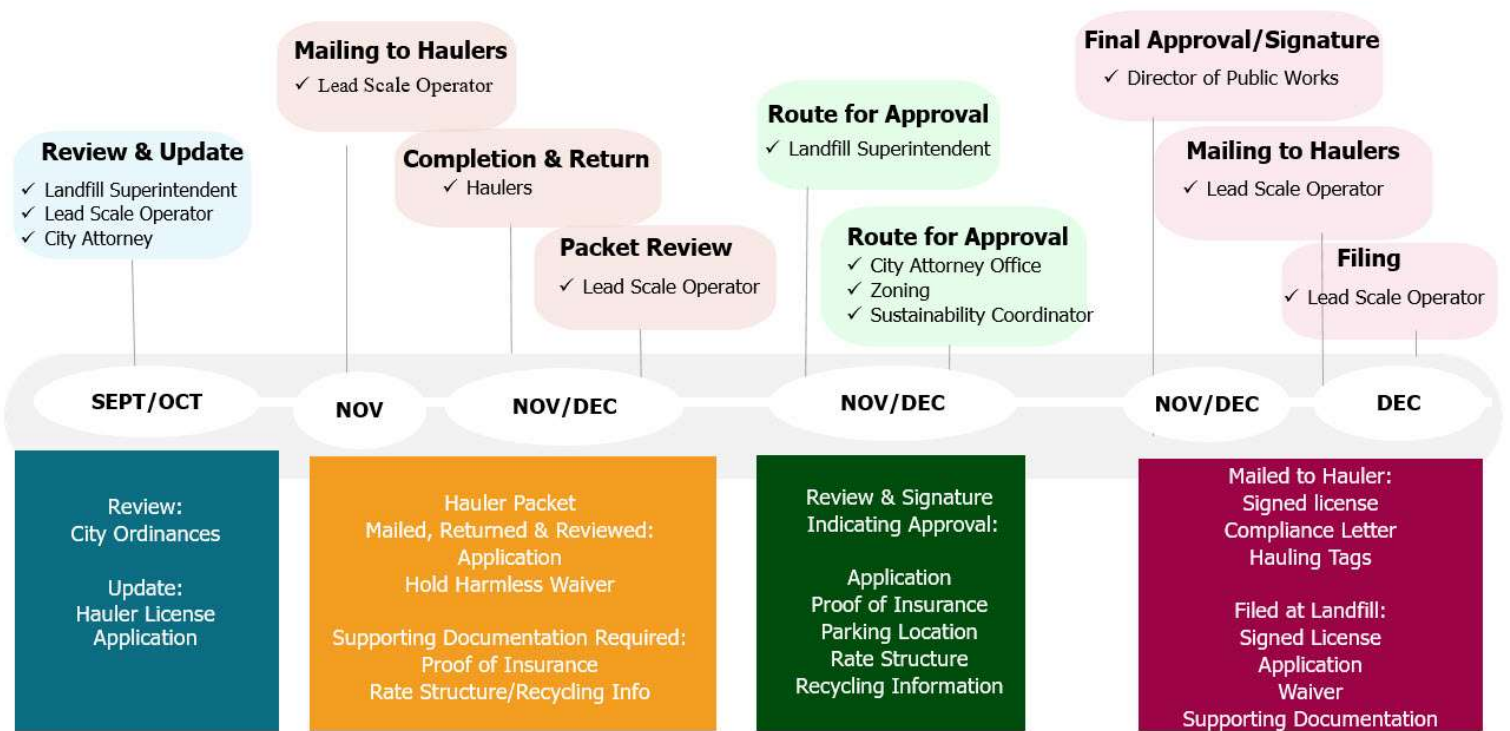


# The Process

The Landfill Superintendent, Lead Scale Operator, City Attorney's Office, Sustainability Coordinator, and City Zoning office staff are involved in reviewing and signing off on the submitted hauler applications and supporting documentation prior to the issuance of the hauler's license. Licenses expire on December 31 of each year and must be renewed to remain in compliance with City ordinance. The image below illustrates the current licensing process.

Figure 2. Licensing Process

## Hauler Licensing Process



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## Objectives

- 1 Evaluate the efficiency of the City of Sioux Falls Landfill Licensing process and determine if the process follows leading practices.
- 2 Determine if adequate controls are in place over the hauler licensing process.
- 3 Determine if adequate controls are in place over hauler compliance after the issuance of the license during hauler operation.

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## Scope

The audit scope included a review of current licensed haulers, the current licensing process that is followed, documented policies and procedures as they are currently in place, and City of Sioux Falls Ordinances under Chapter 57: Garbage and Recycling and Chapter 110: Licenses. The detailed testing covered the haulers that were licensed in the most recent licensing for a 2019 commercial hauler license.

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## Methodology

To complete this audit, we performed the following steps:

- Interviews with Landfill management and staff.
- Interviews with City of Sioux Falls staff involved in the Landfill Licensing process.
- Interview with a current licensed commercial hauler.
- Research of leading practices in landfill licensing in comparable cities.
- Review and evaluation of current City of Sioux Falls Garbage, Construction, and Demolition Hauler Business License and Permit Application.
- Documentation and evaluation of current Landfill Licensing process workflow.
- Review of established City of Sioux Falls ordinances.
- Review of written policies and procedures over the Landfill Licensing process and the requirements to obtain and hold a commercial hauler license.
- Review of a sample of active licensed hauling units as they came through the scale at the Landfill on August 1, 2019.
- Review of a sample of 2019 licensed hauler files and accounts.
- Observation of Landfill staff completing a random inspection at the Landfill.

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# Results

## Efficiency of Licensing Process

We interviewed Landfill management and City staff involved in processing hauler applications that are submitted to determine the current hauler licensing process, what the licensing requirements are, and who is involved in the processing of the license application. In addition, we interviewed staff from another comparable city, as well as a current licensed hauler, to identify if there are leading practices or efficiencies that could be incorporated into the City of Sioux Falls licensing process.

The following audit findings were noted during the review of the Landfill Licensing process:

### Finding 1

Based on our review of the Garbage, Construction, and Demolition Hauler Business License and Permit Application, as well as interviews with City of Sioux Falls staff and management, interviews with licensing staff at a comparable city, and interviews with active commercial haulers, we found that a number of requirements on the current application are:

- 1) Not relevant;
- 2) Not used by the City of Sioux Falls;
- 3) Are not able to be validated when reviewed by City staff processing the application; and/or
- 4) Are duplicative of other required information.

In addition, no licensing information, such as the application or a list of required supporting documentation to be submitted with the application, is available to access online. This is added time for haulers, as well as staff at the City involved in reviewing and processing the license application, that could be eliminated to improve efficiency. Leading practices recommend that local governments continue to improve electronic access to their services and information by other government entities and the public. **See Recommendation 1 below.**

### Finding 2

Based on interviews with management and staff, and walk-throughs of the Landfill Licensing process, we determined that the Landfill Licensing process takes approximately three months to complete. We also found that the process is manual, with no electronic filing or routing of the license application and supporting documentation. **See Recommendation 2 below.**

## Controls over Hauler Licensing

We interviewed management and staff to determine what controls are in place over the hauler licensing process as the application is processed prior to issuing a license. We also reviewed a sample of 2019 licensed hauler files to determine that these controls are in place and that a license is only issued after specified requirements are met. We determined the following:

- Multiple City employees review the application and supporting documentation prior to the issuance of a hauler license, so no one employee has complete control over the issuing of a hauler license.
- The fees that were paid for the licensing fee, trucks, and roll offs are consistent with the fee structure that is established in ordinance.
- Insurance information was provided as required by City of Sioux Falls ordinance.

The following audit finding was noted during our review of the controls over the hauler licensing process.

### Finding 3

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Files that contain required documentation should be maintained accurately at all times and information should be accessible to employees needing access to it for their job duties.

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Based on our review of licensed hauler files, we determined the following:

- 1) A required employee signature was missing on one file, indicating that one department did not review the hauler application and supporting documentation prior to issuance;
- 2) Rate structures were not on file for three haulers, which is required by ordinance to be submitted with the application for a license; and
- 3) Proof of ownership of packer truck was not on file for six haulers, which is required by ordinance. **See recommendations 2 and 3 below.**

## Controls Over Hauler Compliance

We interviewed Landfill management and staff, reviewed City ordinances and internal policies and procedures, reviewed a random sample of forty commercial hauler units that hauled to the Landfill on August 1, 2019, and reviewed a random sample of eight current licensed commercial haulers to determine if they are in compliance with the requirements set forth in ordinance to operate under a City-issued commercial hauler license. We determined that the following controls exist over the process of monitoring licensed hauler compliance:



- Landfill management and lead staff run and review a monthly aging report as a part of their monthly billing process to monitor the financial condition of hauler charge accounts. Any account that is over sixty days past due is converted to cash only. Our testing showed no licensed hauler in our sample was out of compliance with this policy.
- The Lead Scale Operator is responsible for monitoring hauler insurance compliance on a monthly basis. If a hauler has not submitted updated insurance paperwork, the Lead Scale Operator makes contact with the hauler to request that current insurance information be sent to the Landfill in order to remain compliant with this requirement.
- The Sustainability Coordinator monitors and calculates licensed hauler's recycling rates and oversees compliance with the recycling standard. Haulers not meeting the required recycling rate are required, by ordinance, to work toward compliance as specified. Our testing showed no licensed hauler in our sample was out of compliance with the recycling standard.
- Haulers are required, by ordinance, to display their license sticker for the hauling unit on the side of the hauling unit. The Landfill sends out a set of stickers indicating the year the unit is licensed for with the signed license upon issuance of the license.
- Radio-Frequency Identification (RFID) tags can be purchased by haulers that will allow them through the unattended lane at the Landfill. Note: These tags are optional; they are not required. Scale House staff have the authority to turn off the RFID tag by truck or by hauler, which would force a hauler to come through the attended lane and work with Landfill staff if there are any concerns with their account or with any noncompliance of ordinance or policy and procedure.
- Landfill staff have the authority to not allow a hauler access to the Landfill if they are out of compliance with ordinance or with Landfill financial policy and procedure.
- Landfill employees complete random load inspections to verify that what was deposited at a specific location at the Landfill is appropriate and in compliance with ordinance.

The following audit findings were noted during the review and testing of the Landfill controls in place over hauler compliance:

#### **Finding 4**

Based on our testing of hauler compliance as units were coming through the scale on August 1, 2019, we determined that fourteen out of forty hauling units that were sampled either had the license number displayed on the unit, but did not display the current year sticker that the unit is licensed for or did not display a sticker showing the unit's license number at all. Currently, the Landfill is not enforcing this and there are no written internal policies and procedures that would guide Landfill staff on how to monitor compliance with license requirements.

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City ordinance states: All hauling units permitted under this subchapter shall be subject to random inspections by the city. Random inspections include inspections of vehicles, equipment, and contents delivered to the landfill for deposit.

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In addition, we also tested to determine if haulers were coming through the Landfill on a weekly basis, as is required by ordinance. While our testing showed our sample of haulers was compliant with this requirement, we determined through interviews with Landfill staff that there is not a consistent process in place to monitor weekly hauling compliance with §57.075 of City ordinance. **See Recommendation 3 below.**

#### **Finding 5**

Based on our observation of random inspections being performed at the Landfill, we determined that inspections of contents delivered to the Landfill are being performed; however, the inspection does not include the vehicle or the equipment, as stated in §57.071 of City ordinance. It was also noted during our observation that a licensed hauler's rear load box had rusted and come apart from the truck while the truck was at the Landfill after going through the scale in the days prior to the audit observation. This is a potential safety risk for citizens, City employees, and haulers using the Landfill. **See Recommendation 4 below.**

#### **Finding 6**

Based on our review of the hauler licensing files, we determined that insurance paperwork is missing for the first part of the year for three haulers and that one hauler has not submitted their renewal paperwork for their insurance for the remainder of 2019, as of our testing on July 31, 2019. In interviewing management and staff, it was determined that the paperwork for the first part of 2019 had been submitted as required to obtain a license, and insurance was held during that time, but the paperwork was misplaced and not able to be located at the time of the testing. The City Attorney's Office had reviewed and signed off on insurance information prior to issuing licenses for 2019. **See Recommendation 2 and Recommendation 3 below.**

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## Recommendations and Management Response

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We recommend that management review the information required on the Garbage, Construction, and Demolition Hauler Business License and Permit Application and revise it to only include necessary information that is required to issue a license. In addition, we recommend that management utilize the City of Sioux Falls website to enhance the customer experience and provide added convenience and efficiency for both haulers seeking a license and for City of Sioux Falls staff involved in the licensing process.

*Management's Response:*

The Sioux Falls Regional Sanitary Landfill (Landfill) management team has reviewed recommendation Number 1 and is taking action to enhance the license and permit application process. First, the Landfill is working with the City Communications Team to simplify the application format to include the most pertinent information required of haulers to ensure they stay consistent with the rules and regulations set forth by the City of Sioux Falls. Second, the Landfill will offer the application on the City's website as well as a hard copy to fill out for the 2020 applications and by the 2021 license renewal period, the Landfill will go full electronic which will make it more convenient and efficient for City staff and the haulers.

*Management Representative Responding:* Don Kuper, Landfill Superintendent  
*Date of expected implementation:* November 1, 2019

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We recommend that management implement an electronic document routing software and electronic filing to add security and to improve the efficiency of the Landfill Licensing process.

*Management's Response:*

Landfill management has reviewed recommendation Number 2 and is taking action to provide a more efficient and effective licensing process. First, the Landfill started collaborating with the IT and Communications Teams on September 4, 2019, to discuss integrating an e-routing process. The result of this collaboration is the Landfill will use the DocuSign platform for the license application routing and signing process. This will speed up the process and make it more efficient for customers and City staff. Secondly, the Landfill scale software, Paradigm, included enhancement functionality in their most recent software version that will allow all license applications and additional pertinent documentation to be saved electronically for each hauler. These betterments will improve the security and efficiency of the annual licensing process.

*Management Representative Responding:* Don Kuper, Landfill Superintendent

*Date of expected implementation:* November 1, 2019

# 3

We recommend that management establish written internal policies and procedures to:

- 1) Define the hauler licensing process requirements and responsibilities.
- 2) Ensure Landfill staff are consistently monitoring and enforcing the requirements set forth in City ordinance that licensed haulers are to follow to obtain a license and operate under that license.

These written policies and procedures should:

- 1) Provide clear and consistent expectations for staff to follow.
- 2) Describe how and when tasks should be completed, as well as who should complete them.
- 3) Include documentation expectations and requirements.

*Management's Response:*

Landfill management has reviewed recommendation Number 3 and is taking action to produce necessary internal policies and procedures. The Landfill is in the process of creating a hauler licensing Standard Operating Procedure (SOP). The SOP will have detailed operating plans for every step from start to finish.

*Management Representative Responding:* Don Kuper, Landfill Superintendent

*Date of expected implementation:* March 1, 2020

# 4

We recommend that management ensure there is an established process in place to verify the safety of licensed hauling units to protect citizens, employees, and other haulers. The Solid Waste Association of North America (SWANA) has identified developing a safety and health program as a leading practice in the solid waste industry.

*Management's Response:*

According to the South Dakota Carrier Enforcement Department, a vehicle or combination that has more than three axles and a Gross Vehicle Weight Rating (GVWR), Gross Combination Weight Rating, or actual gross weight exceeding 26,000 pounds must pass an annual DOT inspection. The Landfill will take the following actions:

- Require any hauler with hauling unit(s) required to have an annual DOT truck inspection to submit the most recent copy of the passing inspection results with a license application.

According to Lieutenant Joel Peterson with Carrier Enforcement, all commercial vehicles, regardless of weight, must pass a Level 1 inspection. For example, if a commercial vehicle weighing under 26,000 GVW goes through port-of-entry and does not pass a Level 1 inspection, it would be taken out of service until it meets the standards.

The Landfill believes inspections related to roadworthiness and safety of equipment are appropriately regulated by motor carrier enforcement and subject to insurance carrier requirements as a condition of liability coverage.

The Landfill does, however, have responsibility to ensure the condition of equipment meets the requirements defined in ordinance. The Landfill will take the following actions:

- The Landfill will create an SOP starting first quarter of 2020 to help guide staff through a visual truck and load inspection process. Inspections to include:
  - Inspection of containers to ensure they are watertight.
  - Inspection of containers in the proper closed position.
  - All materials are carried within the container and in proper sanitary condition.
  - A visual inspection of equipment for obvious mechanical issues (e.g., leaking hoses).
- The SOP will be completed by second quarter of 2020.
- Random load and equipment inspections starting third quarter of 2020.
- The Landfill will be ready to start visual truck inspections in accordance with the SOP by January of 2021 as a condition of licensure.

*Management Representative Responding:* Don Kuper, Landfill Superintendent

*Date of expected implementation:* Current

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## Conclusion

Based on our review, we believe there are opportunities for improvement to address the inefficiencies and control weaknesses noted in the Landfill Licensing process. The recommendations above, which are based on leading practices, will provide additional controls over the licensing process as well as increased efficiencies for both license applicants and City staff. We would like to thank Landfill management and staff, Public Works management, City Attorney's Office, Sustainability, and Zoning staff for their cooperation and assistance provided during this audit.

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## Audit Standards

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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## Statement of Independence

Internal Audit administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Internal Audit Manager is accountable to an Audit Committee appointed by the City Council per Section 32.022 of the Code of Ordinances of Sioux Falls, SD.

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## Distribution of Report

This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record and its distribution is not limited.

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## Performed By

Abby Vandelanotte  
Internal Auditor