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Waste Management Spent \$15.5 Million Without Ensuring it Got Best Deal, Operated on Yearslong Expired Contracts, Failed to Follow Competitive Bidding Processes, Audit Finds

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The latest audit from the V.I. Office of the Inspector General has concluded with more damning findings of yet another government entity, this time the V.I. Waste Management Authority, which the O.I.G. found was woefully incompetent in the way its leaders have operated WMA.

The audit, which covered years 2017 through 2020, found that WMA expended at least \$15,593,860 without ensuring that it obtained the best price for services. That's because the authority did not always follow its procurement policy requiring competitive bidding; in some cases operated its solid waste collection services with expired contracts and verbal/informal

agreements; continued at least ten contracts on a month-to-month bases up to six years after contracts had expired; and received services from at least two vendors based on verbal/informal agreements, according to the audit.

Additionally, the Waste Management Authority did not adequately maintain its procurement files, the audit found; it failed to prioritize the solicitations of bids to ensure that its operations were done at the most economical cost and benefit; the authority did not establish an adequate record maintenance system; and some contract files did not contain all the necessary documents to determine if those contracts followed the procurement process.

The incompetencies are aplenty, according to the audit.

Solid Waste Contract Monitoring

- Waste Management did not ensure that some of its Solid Waste contracted services were adequately monitored for compliance per contract terms.
- Waste Management did not always document the results of their worksite visits.
- Waste Management did not establish uniform policies and procedures in both island districts to monitor its contractor's work performance.
- Waste Management did not require its responsible officials to document when they performed worksite inspections.
- Waste Management did not inspect some contractor's claimed work for reasonableness.
- As a result, Waste Management's ability to adequately maintain bin sites and ensure that billed services were correct, reasonable, and were for work done was diminished.

Contract Billing

- Waste Management paid some contractors for billed services that were questionable and unsupported.
- Waste Management did not adequately review contractors' bills before approval and payment.
- Waste Management operated, in some instances, with verbal agreements and did not document changes to contract terms.
- Waste Management did not establish an adequate record maintenance system.
- As a result, Waste Management paid \$452,762 for services that were based on a verbal agreement.
- Waste Management paid unsubstantiated charges of at least \$95,304.
- Waste Management paid at least \$23,539 for services that were not adequately supported.
- Waste Management could not ensure that payments to some contractors were for services that were rendered.

Contract Payments

- From Fiscal Years 2017-2019, Waste Management did not pay many of its contractors timely.
- Waste Management's late payments to contractors averaged at least ten months. One of the contractors in our review was paid on average 38 months late.

- Waste Management did not receive anticipated revenues from some funding sources.
- Waste Management did not have valid contracts in place to allow the agency to anticipate its contract cost adequately.
- As a result, according to FY 2019 Budget Hearing Report, Waste Management, as of March 2018, incurred an outstanding debt of at least \$14,193,145. Therefore, the VI Legislature increased Waste Management's Budget by \$7,000,000 in 2019 to address its outstanding debt.

The O.I.G. said the audit was conducted to determine whether WMA officials followed their procurement guidelines in awarding contracts, and whether the authority ensured that contracted services were performed in accordance with contract terms and conditions.

"We found that Waste Management did not always follow its procurement policy requiring competitive bidding," the O.I.G. said. "Specifically, in some cases, Waste Management operated its solid waste collection services with expired contracts and verbal/informal agreements."

Providing an example, the O.I.G. audit revealed that on September 3, 2013, WMA renewed an existing contract for bale-fill operations at the Anguilla landfill. However, after the contract expired on November 1, 2015, it was not renewed until July 19, 2021, the audit found. Furthermore, this new agreement was for five months and ended on December 31, 2021. "However, over five years and eight months, Waste Management paid at least \$5,473,570 for the bale-fill services performed without a contract," according to the audit. Bale-fill services is the compacting of trash into cubes that are then stacked on top each other.

Another example showed that WMA entered a contract to operate the Bovoni landfill. The contract was executed on August 23, 2013, and covered 2012 to 2017 for five years. On October 1, 2017, the contract expired and was extended to September 30, 2018. Afterward, Waste Management did not renew the contract until July 19, 2021. For two years and ten months, from September 2018 to July 2021, the contractor operated the Bovoni landfill without a formal agreement, according to the audit. The authority has paid at least \$2,981,163 for these services. The audit, seen [here](#), has five examples of WMA failing to renew or execute new contracts after existing agreements expired.

Contract	Ser
1	Anguilla Land Management

For a number of contracts, WMA did not advertise their availability, the audit found. The authority at times also failed to provide public notice when those contracts were awarded, according to the audit. Additionally, WMA did not adequately safeguard contract documents, providing only 7 of 16 procurement documents requested by the O.I.G. "Of the nine contracts for which procurement documents were not provided, Waste Management officials stated that files for six contracts were misplaced after the 2017 hurricanes. Two contracts' files retention period had expired. In addition, one file was for contract work that had been suspended," reads the audit.

Contract	Division
1	Solid Waste Collection-STJ
2	Solid Waste Collection – STT
3	Bovoni Landfill Management – STT
4	Landfill Engineering, Environmental Consulting & Accounting Services
5	Motor Control

"We found that Waste Management's Procurement Division generally maintains hard copy records and does not have an electronic filing system," reads the audit. "However, based on the seven contract files reviewed, four files were missing the bid advertisement, one file was missing the bid package, three files were missing the notice of award and/or the notice to proceed. Also, some files were missing multiple pieces of documents."

The authority also did not monitor to determine whether vendors were performing their contractual duties. "On St. Croix, we found that Waste Management officials did not document the quarterly house to house bin count required per the contract awarded for this purpose," reads the audit. "According to the contract that has expired since January 2017, quarterly container counts would be performed by a person selected by the contractor and one chosen by Waste Management's Executive Director in order to maintain an accurate record of collections. At our inquiry, Waste Management's official responsible for this task said that they did not document the count. As a result, Waste Management did not have records to ensure the accuracy of the contractor's billings."

Current WMA Executive Director Roger Merritt, who was at the authority in 2017 and earlier years, [left in 2018](#). He was [rehired by the WMA board in 2020](#). At the time, the board said, "With his selection, the board looks forward to the dynamic and innovative changes he will bring to move the authority closer toward fulfilling its mission and vision as set forth in its enabling legislation, bylaws and priorities established by the board."

In response to a draft of the audit provided to Mr. Merritt, the executive director said WMA's proposed corrective action plan outlines the steps the authority plans to take to address the audit findings, as well as the responsible parties for each item. "We look forward to implementing improved policies, processes, and procedures at the authority to further support our efforts of being good stewards of the funds and resources we receive to provide quality services to the Virgin Islands community," he wrote.

The Office of the Inspector General provided a number of recommendations, including the prioritization of soliciting bids for expired contracts and applicable contractual services to ensure Waste Management's operations are done at the most economical cost and benefit. This recommendation was for WMA's contracts procurement process. For solid waste contract monitoring, the O.I.G. recommended that WMA establish written procedures to monitor contract services. It also recommended that WMA require its officials responsible for monitoring to document their findings on inspection of work and complaints made. Relative to contract billing, the O.I.G., among other recommendations, said WMA should ensure that contractor's bills are adequately reviewed before they are approved and paid, and investigate the cost/benefit of utilizing the scale house at the current location versus waiting to build the new scale house. For contracts payments, WMA should ensure that its contracted financial obligations align with budgeted and available funds and make appropriate adjustments when necessary, according to the audit.