TO: The Honorable Chairman and Members of the Board of County Commissioners

FROM: Ken Burke, CPA
Clerk of the Circuit Court
Ex Officio County Auditor

SUBJECT: Audit of the Utilities' Sewer Department Enterprise Reserve Funds and Sewer Maintenance Plans

DATE: September 22, 2011

For your review and filing in the Official Records, I am enclosing a copy of the report dated September 22, 2011 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Jim Bennett, County Attorney
Larry Arrington, Interim Executive Director, DEI
Bob Powell, Director, Division of Water and Sewer, DEI
Claretha N. Harris, Chief Deputy Director, Finance Division
Ernst & Young
AUDIT OF THE UTILITIES’ SEWER DEPARTMENT ENTERPRISE RESERVE FUNDS AND SEWER MAINTENANCE PLANS

Division of Inspector General

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

Hector Collazo, Jr., CIG, CFE, CISA, CIGI, CRISC, CFS
Director/Inspector General/Chief Audit Executive
Division of Inspector General**

Audit Team
Ronald M. Peters, CIGA, CIA, CISA - Senior Inspector General Auditor
William J. McGuinness, CIGA - Inspector General Auditor II

SEPTEMBER 22, 2011
REPORT NO. 2011-15

*Regulated by the State of Florida
**Accredited Office of Inspector General
By the Commission of Florida Law Enforcement Accreditation
September 22, 2011

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted an audit of the Utilities’ Sewer Department Enterprise Reserve Funds
and Sewer Maintenance Plans.

We conclude that the Pinellas County Sewer System’s plant and pipeline maintenance and
funding plans are adequate. No Opportunities for Improvement were identified in our audit.

We appreciate the cooperation shown by the management and staff of the Utilities’ Sewer
Administration, Operations and General Maintenance departments during the course of this
audit.

Respectfully Submitted,

Hector Collazo, Jr., Director
Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

*Regulated by the State of Florida
**INTRODUCTION**

**Synopsis**

The maintenance plans and funding sources for the Utilities Department's sewer system wastewater treatment plants and pipelines are adequate. Reserves that have been set aside to fund maintenance and capital projects are also adequate.

**Scope and Methodology**

We conducted an audit of the Pinellas County Utilities Department's sewer system maintenance planning and funding processes. The audit covered the county wastewater treatment plants and pipelines, the sewer system's reserve/transfer funds, and the sewer maintenance plans for the Utilities Operations Department and General Maintenance Department.

In order to meet the objectives of our audit, we interviewed the departments' management to obtain a clear understanding of the processes and procedures covering the maintenance planning and funding process.

- We tested, on a sample basis, transactions in the sewer system's replacement reserve funds.
- We evaluated the adequacy of the reserves and funding sources to support the sewer system's maintenance plans.
- We reviewed these maintenance plans' preparation and approval procedures for adequacy.

We performed such other audit procedures that we considered necessary in the circumstances.

The objectives of our audit were to:

- Determine the adequacy of the processes and controls for transactions in the sewer system's reserve/transfer funds.
- Determine the effectiveness of the sewer system's maintenance plans for the Operations Department and the General Maintenance Department.
- Evaluate the adequacy of the sewer system's replacement reserve funds to meet future requirements.
Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Principles and Standards for Offices of Inspector General, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was from October 1, 2010, to April 30, 2011. However, transactions and processes reviewed were not limited by the audit period.

**Overall Conclusion**

The documentation, processes, and controls for transactions in the sewer system's reserve/transfer funds are adequate.

The sewer system's maintenance plans for the Utilities Operations Department and the General Maintenance Department for maintaining the county's sewer system (plant, equipment, and pipelines) are adequate. These plans provide for safe and reliable collection and treatment of wastewater for the present and future needs of the county, and its citizens and visitors. Long-term improvements to the sewer system's plant and equipment are adequately identified by management and supporting engineering specialists.

The sewer system's replacement reserve funds are generally adequate to meet the sewer system's identified renewal and replacement needs. However, some future capital construction needs will be funded out of future net revenues from rate increases.

State-of-the-art techniques are used by Utilities that significantly extend the reliability and useful life of the critical sewer system. Funding of identified sewer system capital needs is in balance with related reserves. Future capital needs will be funded through future rate increases. Compliance with the U.S. Environmental Protection Agency (EPA) and the State of Florida Department of Environmental Protection (DEP) standards is included in the funding.

*Our audit did not identify any audit findings; therefore, there are no Opportunities for Improvement presented in this report.*

Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, our review may not be all-inclusive of areas where improvement may be needed.
Background

The Pinellas County Utilities’ sewer system provides the safest, highest quality and most cost effective wastewater services to the majority of the county residents. Utilities provides these services to several of the 24 municipalities within the county on a daily or supplemental basis, through inter-local agreements and contracts.

The Utilities’ Sewer Operations is responsible for the collection, treatment, and disposal/reuse of all wastewater. The wastewater system treats 30 Millions of Gallons per Day (MGD). In addition, this operation performs all maintenance activities that include a 40 MGD water treatment facility, three regional wastewater facilities with a combined capacity of 48 MGD, five water re-pump facilities, and 350 lift stations.

The wastewater operation has two major treatment facilities in the county:

- The W. E. Dunn facility in Palm Harbor.
- The South Cross Bayou facility in Seminole.

The South Cross Bayou facility represents one of the most sophisticated water reclamation facilities in existence.

Utilities also maintains a full-service scientific laboratory. It is comprised of skilled professionals with backgrounds in chemistry, biology, and microbiology. It is equipped with state-of-the-art instrumentation for the analysis of drinking water, wastewater, environmental surface and ground waters, biosolids and sediments. This analysis ensures that the county's drinking water is of good quality and safe to drink. In addition, it ensures that reuse water and wastewater treatment is sufficient to maintain safe levels of potential contaminants. It also ensures that potential contaminants in surface and ground waters are below acceptable levels, as determined by the EPA and DEP.
DIVISION OF INSPECTOR GENERAL

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