




THE CITY OF SAN DIEGO

DATE: January 29, 2009

TO: Jesse Pagliaro, Deputy Director, Metropolitan Wastewater Department

FROM: Eduardo Luna, City Auditor 

SUBJECT: **Hotline Investigation of the Handling of Scrap Metal at the Point Loma Facility of the Metropolitan Wastewater Department (MWWD)**

The Office of the City Auditor visited the Point Loma Wastewater Treatment Facility in response to an anonymous call to the City's Fraud Hotline with allegations regarding the handling of valuable scrap metal at Point Loma.

Based on our observations to date and the lack of additional requested information from the caller, the allegations are unsubstantiated. However, during our investigation we discovered that there are no specific management plans or procedures in place to ensure the proper tracking, recycling or reuse of scrap material. We also noted the following:

- Point Loma supervisory personnel confirmed that they were storing scrap copper metal from electrical projects in designated "conex" storage boxes to be saved for future potential needs, but not formally documenting the amount of scrap that was being stored, or tracking its use;
- The Point Loma Facility Superintendent was unaware of the storage of the scrap copper metal by the supervisory personnel;
- Per the supervisors, the conex box with the copper stored in it was locked to avoid unauthorized access, in part because of noted concerns about copper (a valuable metal) being left out previously with unlimited access to employees;
- A large quantity of copper in various sizes / lengths was noted in the locked box, seemingly consistent with "stockpiling" for a period of time;

January 29, 2009

- Other scrap metals (primarily iron and steel) were contained in smaller open storage units and in a large dumpster for routine pickup and processing by the scrap metal contractor;
- City Purchasing & Contracting personnel provided documentation indicating that, on a periodic basis, scrap metal has been properly received and processed by the scrap metal contractor from Point Loma. However, he did not note and could not recall an instance of copper being recycled from that location.

Based on our observations during our investigation, we recommend that MWWD implement a process to manage and monitor scrap metal, specifically copper and aluminum, at Point Loma as well as any other facilities where the process might be lacking or non-existent (copper and aluminum are both contracted for recycling at significantly higher reimbursement rates.) These processes should include the following types of internal controls (at a minimum):

- A separately maintained log tracking the amount of copper placed in and taken out of the storage unit. This information should include, at a minimum: date (of occurrence); project material is related to; person involved (name and signature or initials) and description of materials (as available: weight, length, thickness, quantity, condition, etc.);
- A periodic reconciliation of contents of storage unit, including comparison to the log and evidence of review / approval (supervisors signature), to be performed at least annually;
- A routine examination for amount and quality of copper included in storage for potential disposal and recycling. Upcoming projects and needs should be evaluated to determine any excessive or otherwise unnecessary quantities to be sold as recyclable materials to generate revenue for the department;
- At the time of any recycling of copper (and aluminum), notification should be sent to the Point Loma Superintendent and City Purchasing & Contracting personnel responsible for the scrap metal recycling contract to ensure appropriate processing and reimbursement.

We appreciate the cooperation that we received from you and your staff during our investigation. Below is an excerpt from the response you provided. Thank you for taking action on this issue.

The recommended scrap/recycle/reuse metal (copper and aluminum) management methodology will be implemented at Point Loma Wastewater Treatment Plant. It will be implemented at other MWWD Wastewater Treatment and Disposal Division facilities where copper and aluminum are used and stored as well. The log will be implemented at the other facilities where there is a need immediately thereafter.

cc: Jay M. Goldstone, Chief Operating Officer
Jim Barrett, Director of Public Utilities