

Landfill Audit
Board of County Commissioners
September 2010



Report by
Internal Audit Division
Clerk of the Circuit Court

Betty Strifler
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Citrus County



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September 1, 2010

The Honorable Betty Strifler
Clerk of the Circuit Court

Dear Mrs. Strifler:

We have completed the Landfill Audit for the Board of County Commissioners. The purpose of this audit was to determine whether internal controls over scale house cash receipts are adequate. Based on Management's concerns expressed during the entrance conference, we evaluated commercial accounts receivable controls, as well as the safety and security of the courier.

The audit period covered transactions from October 1, 2007 through September 30, 2009. Discussion points regarding this audit are listed, along with recommendations for improvement, and Management's responses. Other minor matters that have no material effect on operations were discussed with Management.

We extend our thanks to Landfill staff, County staff, and the Clerk's Finance Division for their cooperation and assistance during the course of this audit.

Sincerely,

Brenda Fontenot
Internal Auditor

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Abbreviations

CSS - Customer Service Supervisor

EXECUTIVE SUMMARY

During the audit, Management stated they welcomed any recommendations that would enhance their operations. Management has implemented strong internal controls over the scale house operations and commercial accounts. We have recommended an additional separation of duties regarding voided transactions to strengthen the system of internal controls.

We also recommended considering an outside courier service for transporting bank deposits—armored car or Sheriff's deputies—to provide security and mitigate the risk of possible loss of County funds.

During our site visits, we observed professional, friendly interaction with the customers. We were impressed with the landfill operation itself, and the knowledge, dedication and commitment of Management and their staff. We appreciate the courtesies and tremendous cooperation extended to us during this audit.

BACKGROUND

The Division of Solid Waste Management, an enterprise fund, generates revenue for operations through user fees for various processes at the landfill, residential assessments of \$25 annually, and fees charged to businesses that have waste disposal service.

Annually, the Citrus County Central Landfill processes over 124,000 tons of municipal solid waste generated by residents and businesses. Solid Waste Management’s mission is to “provide environmentally safe, cost effective, solid waste disposal to all residents and businesses of Citrus County.” Their mission is achieved by offering programs, which include:

- ✦ free disposal of household hazardous waste to residents, with small businesses participating on a fee basis.
- ✦ free disposal of bulky waste (furniture, carpet, mattresses, etc.), electronics, some metal appliances (stoves, washers, etc.), lead acid and rechargeable batteries, and scrap metals.
- ✦ limited disposal of televisions, computer monitors, a/c units, refrigerators, freezers, propane tanks, residential car tires, used oil and antifreeze, fluorescent lamps, and mercury-containing devices.
- ✦ Adopt-A-Highway Program, staffed with volunteers and trustee labor to pick up roadside litter.
- ✦ recycling at the landfill and 12 residential recycling drop-off centers throughout the County.



Encouraging residents and businesses to utilize the recycling drop-off center program is a way to extend the landfill’s life. The drop-off locations are a joint effort between the solid waste hauler and a local community civic or benefit organization. The organization, which sponsors and operates the location, receives 80% of the profit with the hauler receiving 20%.

The landfill is home to the Eagle Snag Trail—a birding trail approximately two miles long—composed of two habitats that include the Withlacoochee State Forest and the waste disposal area. A variety of indigenous birds, including fully-grown juvenile and white-headed adult bald eagles, may be spotted.

Residents may tour the trail by registering at the landfill office.

SCOPE AND OBJECTIVES

The scope of this audit primarily covered operations between October 1, 2007 and September 30, 2009.

The purpose of this audit was to determine the adequacy of internal controls over the scale house operations. At Management's request, we also evaluated the commercial assessment accounts and reviewed courier security.

METHODOLOGY

To accomplish the audit objectives, we interviewed employees, reviewed the internal controls, reviewed the policies and procedures manual, observed employees performing their duties in the scale house on several occasions, observed the employees compiling the bank deposit, and spoke to the County courier. We also performed a detailed testing of a sample of daily deposit reports and deposits posted in the Pentamation general ledger. We compared the fees that are set in AutoScale (software program used for scale house operations) from copies of customer receipts to landfill's published annual fee schedule.

We toured the landfill to gain a general understanding of their operations, and conducted a physical audit of randomly-sampled business sites to confirm the accuracy of the commercial assessment accounts billed by Solid Waste.

The Internal Audit Division is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We report directly to and are accountable to the Citrus County Clerk of the Circuit Court. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the Clerk, management of the department under review, the County Administrator, and the Board of County Commissioners. All reports are available to the public.

DISCUSSION POINTS

Internal Controls

Separation of duties for voiding transactions could be strengthened.

We reviewed the scale house operating procedures manual, which outlines the daily processes and tasks from opening the main gate each morning, to closing the gate in the evening and shutting down the scale house. This manual provides comprehensive, step-by-step instructions for booting up the computers, operating AutoScale for customer transactions, and counting cash drawers.

We visited the scale house on two occasions to observe customer activity and counting the deposits at the end of a shift. The scale house operators perform a blind count of their cash drawers. A landfill office employee who is independent of the scale house operations performs a second count during the reconciliation with the AutoScale report. Once verified and completed, the deposit is secured in a safe until the courier arrives.

The scale house operators' cash drawers are locked and secured in the safe when the operators are off duty. Access to the safe is restricted from any scale house operators.

The Customer Service Supervisor (CSS) or the Director performs another review of the daily operator report totals by comparing to the computer printouts on the individual operators. The purpose of this review ensures all funds collected are accounted for, and serves as a double check on the cash count performed during the second count.

As an additional internal control, AutoScale provides a feature that allows the CSS to remote in to observe a transaction that is in process in real time at the scale house.

If an overage/shortage of \$5 or more occurs, the operator's change fund is audited to verify the correct amount in the operator's cash drawer. The CSS maintains historical data for each operator's accuracy as part of their annual performance evaluation.

Based on our observations and current policies and procedures, we have determined that management's internal controls are very good. To ensure adequate separation of duties, various individuals perform the processes of counting, recording, and reviewing.

However, we noted that the manual states the Lead Solid Waste Tech may void weigh tickets. Allowing the Lead Solid Waste Tech to void those transactions he generates is a weakness in the separation of duties.

We contacted the CSS to discuss the process of voiding tickets. He stated that he reviews a percentage of the voided tickets, but not on a regular basis. We also discussed the fraud implications of allowing an operator who handles cash transactions to void his/her own tickets.

RECOMMENDATION

Any operator who receives money should not have access privileges to void a transaction. Segregating this duty mitigates the risk of fraud, loss of revenue, and protects the employee from scrutiny. Therefore, we recommend:

- 1. Management should assign the process of voiding transactions to an employee who is not a cashier.*
- 2. Voided transactions should be reviewed, and initialed, with documented explanations by the employee conducting the second count of the daily deposit.*

The CSS commented that alternative methods would be implemented for the void process, and that regular reviews of the voided transactions would be initiated.

We commend Management for implementing this recommendation in such an expedient manner.

MANAGEMENT RESPONSE

1. Voided transactions are reviewed and explanations are documented through Auto Scale software during the voiding process. The person voiding the transaction will input their initials in the appropriate data field provided by the Auto Scale software. This procedural change will be reflected in the Policy/Procedure Manual.

Solid Waste believes the person conducting the second count may not necessarily be familiar with a particular voided transaction, and therefore, may not necessarily be the best option to review and document the transaction in question. Solid Waste believes that the discussion should occur between the cashier and one of three positions as mentioned above during the voiding process.

Commercial Accounts - Accounts Receivable

Commercial accounts controls and processes are adequate.

Landfill offers private companies, commercial haulers, and contract haulers the opportunity to establish monthly accounts (charge customers) by entering into a “Waste Disposal Account Agreement.” The business must render a security deposit or bond, which, in the event of nonpayment, the County may draw against. Information regarding the organization’s vehicles is maintained in the AutoScale software—truck number, tare weight (amount the truck weighs), and business name.

For charge customers registered in the AutoScale software, inbound trucks are weighed, the ticket is issued and signed by the driver at the entry point. The driver retains a copy of the ticket, with a duplicate retained by landfill for billing purposes at the end of the month. The truck proceeds to offload the waste, then exits in the bypass lane.

If the charge customer's vehicle is not registered in the AutoScale software, the truck must be weighed on the inbound scale. Once the vehicle is emptied, the driver exits over the outbound scales, at which time the computer generates a receipt for the driver, and one for landfill for billing purposes at the end of the month.

At the end of the month, each business is billed for that month's activities. If the account is not paid in 21 days, a reminder letter is sent, and if the entity does not exceed its security deposit, they remain in good standing. If the account remains unpaid, the business is denied the billing privilege, and must operate on a cash-only basis.

We reviewed the accounts receivable aging report as of May 26, 2010, to determine the extent of unpaid balances of the commercial accounts. The one account with a substantial balance due from the previous month was mailed a non-compliance letter on June 2, 2010, resulting in placing a freeze on their account, with reinstatement upon receipt of payment. Several accounts that carried relatively small balances due had not exceeded the amount of their security deposit.

At management's request, we conducted a physical audit of the containers located at the various businesses throughout the County. We sampled 21 business sites to determine that the assessment based on the cubic yardage of the container was accurate.

Of the 21 sites visited, there were no discrepancies.

RECOMMENDATION

Based on our review, it is evident that management exercises excellent control and review regarding the collection process. Therefore, we offer no recommendation at this time.

MANAGEMENT RESPONSE

1. The Division of Solid Waste concurs with this comment.

Courier Safety/Security

Current courier practice exposes the County to potential liability and unnecessary risk.

At the entrance conference on April 16, the Division of Solid Waste Management Director and the Public Works Director expressed concerns regarding security issues and the safety of the courier who routinely picks up their deposits for delivery to the bank.

We spoke to the courier's supervisor, the Facilities Management Manager, who also expressed concerns regarding the safety and security factor. The courier drives a routine route, approximately 100 miles per day, handling mail, picking up deposits, and going to the bank. According to the supervisor, the courier has not received any formal training

regarding safety and security, other than informal discussions. Two additional employees function as backup for the courier, but they are not yet fully trained.

If the courier must report to his/her office prior to making a deposit, the deposit bags are brought into the Supervisor's office and locked in a desk drawer.

Using a layperson to transport bank deposits on a regular, predictable route exposes the courier to potential bodily harm, in the event of a robbery, with a resulting loss of County funds.

RECOMMENDATION

Management should consider hiring an independent service—armored car or Sheriff's Deputy escort-- to transport County bank deposits.

Fortunately, to our knowledge, there have been no incidents regarding the courier's safety, and there have been no security issues regarding County funds.

We queried other entities through the Association of Local Government Auditors listserv, to gain a benchmark of current practice on handling bank deposits. Of the city and county governments responding, 70% use an armored car service, 20% use a police escort, and 10% use employees.

Some banks will arrange for an armored car service and calculate the overall monthly service charge to the customer, based on deposit balances and activity. Negotiating this type of arrangement with a bank keeps costs reasonable for account holders that carry substantial balances.

Through an interlocal agreement, the Clerk and the Tax Collector's offices utilize a Sheriff's Deputy to transport funds to the banks. The cost is \$20 per pick-up day for each site serviced.

By using an outside service, the County would ensure the safety of the courier. The County could potentially reduce mileage and wear and tear on the county vehicle, reduce fuel costs, and allow time for the courier to perform other duties. The County would also limit liability exposure, and prevent loss of funds by transferring the risk to an independent service (deposits in transit with an armored car service are insured).

MANAGEMENT RESPONSE

1. The Division of Solid Waste recognizes that the courier transports bank deposits daily and we agree to the benefits of an armored car or sheriff's deputy transporting those deposits. We have discussed this issue with Administration and believe that it is in the best interests of the County, to go a step further, and plan an overall solution with other County facilities that receive and deposit cash payments.