



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

January 5, 2009

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Landfill Cash Collections, Audit 08-05

Dear Mayor and Council Members:

On May 28, 2008, the Internal Audit Division released an audit on Landfill Cash Collections. We performed certain procedures, as enumerated below, with respect to Landfill Cash Collections in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The conclusions of Audit 08-05 were:

1. There are no written policies/procedures in place for cash collections.
2. Proper internal controls are not in place surrounding the cash collection process and receipts are not always being turned into the Treasurer's office within the required three (3) day period.
3. Invoiced Payments from customers are being received in a timely manner.

The audit contained eleven (11) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 2, 3, 4, 6, 7 and 8 were implemented and recommendations 1, 5, 9, 10 and 11 were not implemented.

Recommendations Implemented [2, 3, 4, 6, 7, 8]

We recommended (**recommendation 2**) that a security camera system be installed at the landfill scale house to allow Waste Resource Division management to monitor daily operations. We also recommended that receipt signs (that are clearly visible to the customers) to be posted at the scale house.

During our review, we learned that a security camera system has been installed to allow the monitoring of collection activity at the scale house. We also learned that receipt signs have been posted at the scale house.

We recommended (**recommendation 3**) that the Waste Resources Division submit all landfill collections to the Treasurer's Office within three (3) days of the initial receipt in order to be in compliance with TCA 6-56-111.

As part of our review, we judgmentally selected twelve (12) collection reports (that contained landfill tipping fee revenue) that the Waste Resources Division had recently submitted to the Treasurer's Office. For all twelve (12) collection reports selected, the funds were submitted to the Treasurer's Office within three (3) days of the initial receipt.

We recommended (**recommendation 4**) that written receipts be issued for each quarter bag transaction in order to be in compliance with TCA 9-2-103.

During our review, we learned that the Waste Resources Division is now issuing written receipts for the quarter bag transactions.

We recommended (**recommendation 6**) that Waste Resources Division management implement a policy to include support showing the date collected and the total amount collected for every item that is listed as support on the landfill collection reports.

During our review, we examined collection report supporting documentation from November 2008 and December 2008. We noted that all collection report supporting documentation now includes the specific date to denote exactly when each amount listed on the collection report was collected.

We recommended (**recommendation 7**) that management implement a policy to review and sign off on all billing adjustments that are made by Waste Resources Division staff.

During our review, we learned that the Waste Resources Director now periodically reviews billing adjustments and collection report information related to the wood recycle center.

We recommended (**recommendation 8**) that Waste Resources Division Management should thoroughly review the language in written contracts before they are executed. We also recommended that audit clauses be included in future contracts.

During our review, we learned that WRD Management has undertaken efforts to ensure that audit clauses are included in their contracts.

Recommendations Not Implemented [1, 5, 9, 10, 11]

We recommended (**recommendation 1**) that detailed written policies/procedures be developed and implemented that relate to the cash collections process at the landfill.

Per Waste Resources Division Management, detailed written policies/procedures are currently being developed but are not yet completed.

We recommended (**recommendation 5**) that the Waste Resources Division stop waiving tipping fees for not-for-profit organizations that have not complied with TCA 6-54-111 and Section 2-526 of the City Code.

During our review, we learned that not-for-profit companies are still allowed to utilize the landfill for free, and that no adjustments have been made to the City Code since the time Audit 08-05 was completed.

We recommended (**recommendation 9**) that City employees should be assigned to perform cash collections related to all City funds that are received at the landfill scale house.

During our review, we learned that Environmental Materials employees are still handling the cash collections related to all City funds that are received at the landfill scale house.

We recommended (**recommendation 10**) that the Waste Resources Division close the landfill change fund since City employees no longer collect City funds at the landfill scale house.

During our review, we learned that the change fund at the scale house still exists and has not been closed.

We recommended (**recommendation 11**) that WRD management abide by the requirements of TCA 13-4-104 by acquiring approval for property leases from the planning commission (RPA).

During our review, we learned the agreement between the City and Environmental Materials has expired and a new agreement has not been put into place yet. It appears the City and Environmental Materials have continued to operate based on the expired agreement. We noted that a new scale house agreement between the City and Environmental Materials has not been approved by the planning commission and has not been implemented yet.

We thank the staff at the Waste Resources Division for their assistance in conducting this review.
We will consider this report to be final unless directed to continue our review.

Sincerely,



Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Daisy Madison, City Finance Officer
Steve Leach, Public Works Administrator
Jerry Stewart, Waste Resources Director