

**Post-Audit Review 12-07:
Transfer Station Billing
July 2014**

City Auditor
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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

July 3, 2014

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of Transfer Station Billing Process (Report #12-07)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2013 Transfer Station Billing Process report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. The tonnage deposited at the transfer station was properly invoiced by Santek;
2. The debris tonnage deposited at Santek's transfer station is comparable to the reported amount deposited by Santek at the City's landfill. However, due to Santek's control over access to both facilities and control over data integrity, we could not independently verify tonnage; and,
3. We found payments were often processed without proper supporting documentation. In addition, we found city personnel are not verifying the annual rate calculations prior to authorizing rate changes.

The audit had 10 recommendations to improve efficiency and effectiveness of the billing process as well as address internal control deficiencies in monitoring tonnage deposited at the City's landfill. At the time of this Post-Audit Review, two recommendations were not implemented, two were partially implemented, and six were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

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.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
Travis McDonough, Chief of Staff
Jeff Cannon, Chief Operating Officer
Brent Goldberg, Deputy Chief Operating Officer
Lee Norris, Public Works Administrator
Daisy Madison, City Finance Officer
David Carmody, Purchasing Director

RECOMMENDATIONS NOT IMPLEMENTED (2)

Recommendation	Actions Taken
1 We recommended City Wide Services management take control of the operations of the City's scale house. The cost of additional personnel should be offset by revenues from Santek obtained via a lease and operations agreement. The expense to Santek should be offset by a reduction in staff, resulting in no net increase in expenditures.	CWS has no plans to take control of the scale house operations. Management asserts it would be cost prohibitive for the City.
3 We recommended CWS management install cameras that would monitor trucks entering the landfill sites. The feed from the cameras should be available to the scale house operator and CWS management. This would include remote access to the system for monitoring. The scale house operator should monitor all trucks via the camera feed and immediately notify city landfill personnel if a truck is entering the wrong landfill site.	CWS has not installed cameras to monitor trucks entering the landfill sites or added monitors in the scale house. Public Works administration has been in contact with two different companies to initiate this project. They have encountered a number of logistical problems that could add to the total cost of the project. They are working through these issues and are still committed to installing the cameras as soon as the issues are resolved.

RECOMMENDATION PARTIALLY IMPLEMENTED (2)

Recommendation	Actions Taken
<p>5 In the absence of more detailed formal guidance from the Finance Department, we recommended CWS personnel develop written procedures to cover all details regarding the processing of their invoices. These steps would include a reconciliation of the invoices/tickets to a digital file and to the final invoice/statement when dealing with large volumes of transactions. If attaching the individual invoices/tickets is prohibited due to volume, then a detailed list should be attached for reference when forwarding to Finance. A statement should be added to the detailed list stating all tickets for the invoice were reconciled to the list and are being retained and stored at CWS.</p>	<p>CWS has developed written procedures for the process of the Santek invoices. They are attaching a detailed list of all delivery tickets to support the invoice when submitting to Finance for payment. However, a full reconciliation of the delivery tickets to the invoice is not being completed (the list of tickets provided is not totaled and matched to the invoice total). This would be the final step in the reconciliation process before a payment should be approved. CWS has not included a statement indicating the tickets are filed with them. They are correcting these last details with the process and updating their procedures to have an accurate reconciliation of daily tickets to the monthly invoice moving forward.</p>
<p>9 We recommended Finance update their payment procedures to provide procedures for departments processing large volumes of transactions for individual vendors, as is the current case with the CWS's Santek payments.</p>	<p>Finance has changed the process for CWS staff and now requires them to document the delivery tickets match the invoice for large volume suppliers. CWS provides an excel spreadsheet of all delivery tickets and Accounts Payable matches it with Oracle receipt. We noted one issue with the spreadsheet provided by CWS: The spreadsheet lacks a grand total to match to the receipt or invoice.</p>

RECOMMENDATIONS FULLY IMPLEMENTED (6)

Recommendation	Actions Taken
<p>2 If Santek continues to operate the scale house, we recommended CWS management routinely review the camera feed from the scale house to verify trucks entering the City's landfill are ticketed in the WasteWorks system. This process should be formally documented and all discrepancies should be investigated.</p>	<p>CWS staff reviews the landfill camera feed on a weekly basis verifying trucks entering the landfill have a WasteWorks ticket for a random number of trucks. This process is being documented.</p>
<p>4 We recommended CWS monitor monthly the municipal waste tonnage taken to the transfer station by City vehicles versus the tonnage transported by Santek to the City's landfill. Any excess tonnage deposited by Santek should be billed according to the contract terms.</p>	<p>CWS staff compares the tonnage from the transfer station to tonnage deposited in the City's landfill on a monthly basis. This process is documented.</p>

<p>6 We recommended the CWS supervisors as well as third-party vendors be trained on the difference between municipal waste and construction debris and the corresponding rate charges. The supervisor should instruct the city driver on what type of material he is hauling so he can communicate with the Santek scale house operator as they enter the transfer station. The city driver needs to be trained on what to review on the Santek ticket before he signs it and if an error has occurred what he should do before he leaves the station.</p>	<p>A PowerPoint presentation was given to drivers, supervisors and Tennessee Waste Haulers.</p>
<p>7 We recommended the Purchasing Division verify annual rate calculations before approving and updating the rates in the system each year.</p>	<p>The Purchasing Division at the time of renewal reviews the rate calculations. This is done before making changes to the purchase order in Oracle.</p>
<p>8 We recommended the Finance Department provide periodic training and sufficient supervision to all Accounts Payable employees. The training and supervision should focus on ensuring all Accounts Payable staff follow established policies and procedures when processing payments.</p>	<p>The Finance Department has provided training to their staff as well as CWS staff on the updated procedures. They have emphasized the importance of following the procedures as written.</p>
<p>10 We recommended Finance and CWS ensure monthly fuel adjustments are calculated and processed properly. Further, Finance personnel should not process invoices when departments have not entered tickets correctly or the department fails to attach proper support.</p>	<p>Based upon a limited review of Santek payments, they included a monthly fuel adjustment which was posted correctly. CWS staff ensures there is a monthly fuel adjustment posted to the invoice. The Finance staff is confirming the accuracy of the fuel adjustment calculation.</p>

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