

**Post-Audit Review 14-05:  
Wood Recycling Center Cash  
Collections**

**August 2015**

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

**Internal Auditor**

Jennifer Benefield, CFE





# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

August 24, 2015

To: Mayor Andy Berke  
City Council Members

Subject: Post-Audit Review of Wood Recycling Center Cash Collections (Report #14-05)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2014 Wood Recycling Center Cash Collections 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. Policies and procedures need to be implemented to ensure accounts receivable are properly accounted for and collected timely.
2. Several key internal control weaknesses exist in the Wood Recycling Center Cash Collection process

The audit had 13 recommendations to improve the accounts reconciliation process as well as address internal control deficiencies observed in the collections processes at the Wood Recycling Center. At the time of this Post-Audit Review, two recommendations were not implemented, six were partially implemented, and five 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  
          Brent Goldberg, Chief Operating Officer  
          Lee Norris, Public Works Administrator  
          Daisy Madison, Chief Financial Officer

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## RECOMMENDATIONS NOT IMPLEMENTED (2)

Recommendation	Actions Taken
12 We recommended checks received in the mail have appropriate documentation to verify payment was applied to the appropriate account in WasteWorks.	Collection reports were reviewed for proper documentation including justification for the collection and verification that the payment was applied to the appropriate account in WasteWorks. The collection report did not have documentation attached to show which invoice the payment is for or if applied to WasteWorks.
13 We recommended Public Works follow all Finance Policies and Procedures- Collections.	Collection reports were reviewed for collection within the three day rule, explanation attached for over/shortages and scale house reports attached. The collection reports for checks received in the mail did not contain the required documentation. However, the daily receipts from the scale house had the scale house reports.

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## RECOMMENDATION PARTIALLY IMPLEMENTED (6)

Recommendation	Actions Taken
4 We recommended Public Works update its policies and procedures to require the scale house supervisor to review the written explanation and approve all voided tickets. We also recommended the Scale House Supervisor verify all voided tickets are attached to the daily scale house report and submitted to the Citywide Services' Administrative Office.	Public Works has policies and procedures in place to require the scale house supervisor to review the written explanation and approve (by signature) all voids. However, not all voided tickets are printed for the supervisor to verify and approve.
5 We recommended the Administrative Support Specialist perform a daily review of voided tickets. The review should include, but not be limited to: Verifying all voided tickets are present; explanations are provided and signed by the supervisor. We recommended the voided tickets be retained in accordance with Municipal Technical Advisory Service Record Retention policies.	The Administrative Support Specialist currently reviews the voided tickets sent by the scale house. However, not all voided tickets are printed, therefore, a complete review is not being done. Public Works is retaining all voids according to Municipal Technical Advisory Service Record Retention policies.

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**Recommendation**

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**Actions Taken**

- 7 We recommended Public Works implement new procedures that ensure accountability for funds collected. The procedure could include a dual witness either at the scale house (when cashier performs daily close out) or the next day (when the sealed bag is opened). Transfers between staff should be minimal and adequately documented. A log should be maintained by each employee who transfers funds.
- 9 We recommended Public Works consult the City Attorney on requirements for setting up charge customers (agreements) and credit limits, late fees and penalties. If determined necessary, the Department should receive appropriate approval from City Council. Based upon the advice of the City Attorney, we recommended policies and procedures be implemented for this process.
- 10 We recommended Public Works Administration implement policies and procedures to reconcile accounts receivable balances regularly and to follow up with any balance older than 90 days. The policies and procedures should include sending monthly statements to every customer with outstanding balances, and prohibiting use of the facility when account balances are past due or exceed credit limits. We also recommended Public Works Administration develop a process for addressing customers with outstanding balances.
- 11 We recommended Public Works develop a notification in the WasteWorks system, if available, to flag customers with balances over their credit limit.

Currently a log is maintained by the scale house operator for funds transferred to the courier. Another log is maintained to document the transfer by the courier to the Administrative Support Specialist. However, a log is not maintained by the courier. A dual witness is at the CityWide Services location when the bag is opened to count the money.

CityWide Services contacted the City Attorney, however, they have not received a response yet.

The Recycling Coordinator reconciles the accounts receivable balance and sends past due notices to customers over 30 days old. A monthly statement is now being sent to every customer as well. Policies have not been developed yet for criteria to address customers with past due balances.

The Recycling Coordinator reviews customer balances periodically in the WasteWorks system. When management has determined that a customer is no longer allowed to use the Wood Recycling Center, a "freeze" on their account is entered by the Recycling Coordinator manually. Criteria has not been developed to determine when to block a customer from using the facility.

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## RECOMMENDATIONS FULLY IMPLEMENTED (5)

Recommendation	Actions Taken
1 We recommended the Administrative Support Specialist review the daily scale house reports and verify the amounts collected.	The Administrative Support Specialist currently reviews the reports and compares to the amount sent by the scale house operator on a daily basis.
2 We recommended, where possible, the employees who receive cash collections (cashiers) should be different from those who maintain the books and records (bookkeepers). Since it may not be possible to fully segregate duties, we recommended a Public Works supervisor periodically perform an independent review of collections and accounts receivable.	The Recycling Coordinator is now performing random audits by reviewing collections from the scale house in the WasteWorks system and comparing them to the daily collection report. The Recycling Coordinator is also reviewing the accounts receivable monthly and preparing aging reports periodically.
3 To assist with the independent review, we recommended daily receipts from the scale house be reported on a separate collection report from the checks received in the mail.	The Administrative Support Specialist is now reporting daily receipts from the scale house on a separate collection report from the checks received in the mail.
6 We recommended Public Works develop written policies and procedures for adjustments which would include, but not be limited to: Proper support documentation for all adjustments and a supervisory review and authorization of the adjustment.	The Recycling Coordinator updated the Standard Operating Procedures for WasteWorks software to include policies and procedures for entering adjustments. The procedures will be clarified to state a supervisor's signature is required before the adjustment is entered instead of after.
8 We recommended someone, other than the Administrative Support Specialist, open the mail and list the payments received in a mail log. When transferring checks between employees, the mail log should be signed by each to document the exchange. The mail log should be maintained by the employee designated to open the mail.	CityWide Services has implemented a mail log. It is maintained by the employee that opens the mail.

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