

**PUBLIC WORKS DEPARTMENT  
WASTE RESOURCES DIVISION  
LANDFILL CASH COLLECTIONS  
AUDIT 08-05  
May 8, 2008**



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

May 28, 2008

Honorable Ron Littlefield  
Mayor, City of Chattanooga  
City Hall  
Chattanooga, TN 37402

RE: Landfill Cash Collections, Audit 08-05

Dear Mayor Littlefield:

Attached is the Internal Audit report on Landfill Cash Collections.

We thank the management and staff of the Waste Resources Division for their cooperation and assistance during this audit.

Very truly yours,

Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit

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

**PUBLIC WORKS DEPARTMENT  
WASTE RESOURCES DIVISION  
LANDFILL CASH COLLECTIONS  
AUDIT 08-05**



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**Auditor**



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**Director**

**PUBLIC WORKS DEPARTMENT  
LANDFILL  
CASH COLLECTIONS  
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**INTRODUCTION**

The City landfill is located in Harrison, TN. During regular business hours, the non business customers that are not City residents are charged a \$10.00 fee per pickup truckload. During the extended business hours, the non-business customers that are not City residents are charged \$0.25 per bag of garbage. Business customers are charged \$30.50 per ton with a minimum charge of \$24.40. City residents are not charged to bring residential bagged garbage to the landfill.

**STATEMENT OF OBJECTIVES**

The objectives of this audit are to determine if:

1. There are adequate written policies/procedures for cash collections.
2. Proper internal controls are in place surrounding the cash collection process and if collections are submitted to the Treasurer's office within the required three (3) day period.
3. Invoiced Payments from customers are being received in a timely manner.

**STATEMENT OF SCOPE**

The audit period was the first six months of FY08 (July 01, 2007 through December 31, 2007).

**STATEMENT OF METHODOLOGY**

IA reviewed information from BANNER and WasteWORKS to obtain information about the landfill cash collections. IA also reviewed Collection Reports and the related supporting documentation. IA also met with staff from the Waste Resources Division and Environmental Materials to obtain an understanding about the landfill cash collection process.

## **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions. In addition, we abide by the standards of professional practice established by the Institute of Internal Auditors.

## **AUDIT CONCLUSIONS**

Based upon the testwork performed and the audit findings noted below, we conclude that:

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.

## **WRITTEN POLICIES/PROCEDURES NOT IN PLACE**

The Waste Resources Division has no written policies/procedures in place to provide guidance for the landfill cash collection process.

## **RECOMMENDATION 1**

We recommend that the Waste Resources Division document internal policies and procedures, business practices, and goals and objectives. Employees should have ready access to departmental policies and procedures (hard copy, computer-based or web-based). The Waste Resources Division should document receipt of such policies by all staff. These procedures should ensure proper internal controls, which include but are not limited to:

- Segregation of Duties
- Proper Authorization and Approval
- Proper Review and Reconciliation
- Proper Physical Security of Assets
- Proper Training and Supervision

**AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The Waste Resources Division (WRD) will comply with Recommendation 1. WRD will prepare and implement written policies and procedures in place on or before September 1, 2008.

**INTERNAL CONTROL NOT ADEQUATE AT SCALE HOUSE**

During on-site visits to the landfill, we observed that the landfill is located in a remote location and that the scale operators work unsupervised most of the time. It appears that there is no monitoring system in place for management to observe scale house operations. The absence of a system for Waste Resources Division management to monitor the daily activities at the scale house is a weakness in internal control.

**RECOMMENDATION 2**

We recommend that a security camera system be installed at the landfill scale house to allow Waste Resources Division management to monitor daily operations. The camera should include a time and date stamp in order to allow periodic/random reconciliation of the weight tickets to the daily scale house operations that are captured on the camera. IA also recommends that receipt signs (that are clearly visible to the customers) be posted at the scale house. These signs should state the following or something similar to “If you do not receive a receipt for your payment, please contact Internal Audit at 423-425-6202.”

**AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The WRD will comply with Recommendation 2.

The WRD will have the sign recommendations in place on or before July 1, 2008.

The WRD will budget in the FY 08-09 the necessary amount to install cameras and recording equipment within the scale house as well as cameras to identify vehicles and contents at the time of transactions. The estimated installed cost of this equipment is \$5,000. Based on the availability of approved funding, the cameras will be installed on or before October 1, 2008.

### **COLLECTIONS NOT SUBMITTED TIMELY**

TCA 6-56-111 requires all funds collected by a municipal official to be submitted to the Treasurer's Office within three (3) days of the initial receipt. Of the thirty-seven (37) collection reports selected for testing, twenty-six (26) collection reports (70.27%) contained some funds that had been held longer than three working days prior to being submitted to the Treasurer's Office.

### **RECOMMENDATION 3**

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

### **AUDITEE RESPONSE**

The WRD concurs with this recommendation.

Because of the 25 mile distance between the City Landfill and the WRD offices, funds collected at the City Landfill were brought down every other work day as a result all of the funds collected were not reaching the Treasurers Office within the three days required by the TCA. Funds collected at the City Landfill are now transported to the WRD offices on the next business day for further processing and then sent to the Treasurers Office.

The WRD is now in compliance with the TCA and with this recommendation.

### **RECEIPTS NOT ISSUED FOR QUARTER BAG COLLECIONS**

TCA 9-2-103 states, "Each state, county and municipal official who receives any sum or sums in such official's capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official...." The current practice of accounting for quarter bag receipts at the landfill requires each customer to sign a dated sheet and denote the amount paid in order to support the funds collected for the quarter bag items.

### **RECOMMENDATION 4**

We recommend that written City of Chattanooga receipts be completed for each quarter bag transaction in order to be in compliance with TCA 9-2-103. One copy of the receipt should be given to the customer and one copy of the receipt should be retained by the Waste Resources Division.

**AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The “Quarter-a-bag” garbage disposal for local residents surrounding the landfill was implemented when the City opened Area 2 of the City Landfill. This disposal option is available to the local residents from 5:00 -8:00 pm Monday through Friday and 8:00 am -12:00 noon on Saturdays. The number of residents using this disposal option varies from 5-10 on rainy days to 250 -280 on Saturdays. Currently the WRD is accounting for the cash from this operation by having residents to sign a signature sheet. However, this method does not meet the requirements of the TCA. The WRD will revisit this disposal option to determine if it is a necessary and viable option.

The WRD will comply with Recommendation 3 and begin transitioning away from the signature sheets to written receipts and will complete this transition by or before July 1, 2008.

**NOT-FOR-PROFIT TIPPING FEE WAIVERS**

The Waste Resources Division allows certain not-for-profit organizations (Salvation Army, Samaritan Center, Orange Grove, Humane Society, etc.) to bring items to the landfill free of charge. This policy (waiving tipping fees for not-for-profit companies) does not appear to be in writing. Further, this policy does not appear to have been approved by the City Council.

**RECOMMENDATION 5**

We recommend that the Waste Resources Division stop waiving non demolition landfill tipping fees for not-for-profit companies that have not complied with TCA 6-54-111 and Section 2-526 of the City Code.

**AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The WRD will develop a formal policy for dealing with solids wastes with non-profit organizations. This will probably necessitate an ordinance change to adopt the policy.

The WRD will notify all non-profit organizations of this change on or before July 1, 2008 and by October, 1, 2008 have these organizations in compliance.



## **COLLECTION DATES NOT LISTED ON COLLECTION REPORT SUPPORT**

IA observed that the collection dates were not listed on some of the documentation that supported the collection totals that were included as the support for the landfill collection reports. IA found that the collection date information was listed on hard copy WasteWORKS printouts that were in storage at the Waste Resources Division offices.

### **RECOMMENDATION 6**

IA recommends 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.

### **AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The WRD has contacted the software supplier about this additional requirement. Until this has been included on that report, WRD staff will write in the date on that report. The software change to the report will be in place on or before July 1, 2008.

## **BILLING ADJUSTMENTS NOT REVIEWED**

A database is maintained by the Waste Resources Division staff to maintain the landfill operations data that is initially recorded by the scale operators in the WasteWORKS system. Sometimes billing adjustments are made in the database by the WRD staff (after the data has been extracted to the database from WasteWORKS). We found that there is no regular management review and approval of the billing adjustments that are made using the database.

### **RECOMMENDATION 7**

We recommend that management implement a policy to review and sign off on all billing adjustments that are made by Waste Resources Division staff (on a monthly or quarterly basis).

### **AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The WRD Director will review all billing adjustments on a monthly basis. A formal written policy will be included in the written documentation developed in Recommendation 1.

## **WRITTEN RECORD RETENTION REQUIREMENT UNCLEAR**

Section 13 of the landfill agreement between the City and Environmental Materials states, "All records and documentation pertaining to the contract for sewer line cleaning services shall be maintained for a period of (3) years following expiration or termination of the contract and shall be subject to review and audit by the City." It appears that an error was made when the contract was drafted and the part that read "sewer line cleaning services" should have read "landfill scale house operation services." Although a technicality, this could be construed in a manner that would allow Environmental Materials to destroy important public records.

## **RECOMMENDATION 8**

IA recommends that Waste Resources Division management thoroughly review the language in written contracts in the future before they are executed. Further, when entrusting third parties to conduct functions that are typically performed by the City, it is imperative that management ensure contracts include thorough audit clauses along with complete record retention requirements.

## **AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The WRD will ensure all future contracts include the City's audit requirements.

The WRD will ensure that all future contracts are proofed by knowledgeable staff to minimize problems as noted above.

## **USE OF THIRD PARTY TO COLLECT CITY FUNDS NOT APPROPRIATE**

Since April 1, 2004, the City has had an agreement with a third party (Environmental Materials) to operate the landfill scale house. Section 3 A. of the agreement states, "Contractor shall provide the services of the Scale Operator for \$0.00/year." Section 3 B. of the agreement states, "Compensation from the City to the Contractor hereunder shall include use of Scale House, scales, and other landfill facilities such as truck washing facilities at no cost to the Contractor." Only City employees should be assigned to collect funds and be responsible for collecting funds for City services. By allowing a third party to collect City funds, the level of risk that management has accepted related to the landfill cash collections process is excessive.

## **RECOMMENDATION 9**

We recommend that City employees be assigned to perform cash collection functions related to all City funds that are received at the landfill scale house.

**AUDITEE RESPONSE**

The WRD does not disagree with this recommendation. The WRD will evaluate this recommendation and determine if adequate safeguards could be added to protect the City funds.

At a minimum, a Crew Worker 2 position will need to be created in the FY 08-09 budget to operate the scale house at the City Landfill. The estimate cost of this position including wages, benefits, and overtime will be approximately \$40,000 per year.

The reason for having a third party to operate the scale house at the City Landfill was to reduce staff and reduce costs. WRD feels that there were adequate checks in place to monitor the third party as well as protect the City's interest. However in light of the Auditor's recommendation, the WRD will re-evaluate this process on or before the FY 08-09 budget is finalized.

**CHANGE FUND IN CUSTODY OF NON-CITY EMPLOYEE**

Due to an agreement between the City and Environmental Materials, City employees no longer operate the scales at the Birchwood Landfill. The City's change fund that is in place at the Birchwood Landfill was never closed after City employees stopped operating the landfill scales in March 2004.

**RECOMMENDATION 10**

IA recommends that the landfill change fund be submitted to the Treasurer's Office via a Collection Report and closed since the current scale operators are employees of Environmental Materials and are not City employees.

**AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The WRD will implement this recommendation as soon as practical.

**AGREEMENT WITH ENVIRONMENTAL MATERIALS NOT APPROVED BY PLANNING COMMISSION**

TCA 13-4-104 requires the planning commission (RPA) to review and recommend any lease of municipal property. The above mentioned agreement between the City and Environmental Materials allows Environmental Materials the "use of scale house, scales, and other landfill facilities..." It appears that the RPA did not review and recommend this lease of landfill facilities to Environmental Materials.

**RECOMMENDATION 11**

We recommend that Waste Resources Division management abide by the requirements of TCA 13-4-104.

**AUDITEE RESPONSE**

The WRD concurs with this recommendation.

The WRD has submitted the EMI contract to operate the City landfill scale house to RPA for review and/or approval to comply with the TCA. Contract has been modified to address the issues in Recommendations 8 and 9.