

**PUBLIC WORKS DEPARTMENT
WASTE RESOURCES DIVISION
WOOD RECYCLE CASH COLLECTIONS
AUDIT 08-06
May 1, 2008**



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

June 5, 2008

**Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402**

RE: Wood Recycle Cash Collections, Audit 08-06

Dear Mayor Littlefield and City Council Members:

Attached is the Internal Audit report on Wood Recycle Cash Collections.

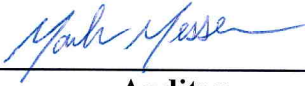
We thank the management and staff of the Waste Resources Division for their cooperation and assistance during this audit.

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
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Auditor



Director

**PUBLIC WORKS DEPARTMENT
WOOD RECYCLE
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INTRODUCTION

The Wood Recycle Center is located at 3925 North Hawthorne Street behind the Police Services Center. The center accepts raw natural wood, brush, and leaves. The center charges \$13.00 per ton with a minimum charge of \$6.50. City residents are allowed to bring wood, brush, leaves, etc. to the center free of charge as long as these items are from their primary residence and their load is in a standard sized pick up truck or a comparably sized trailer. City residents who bring items that exceed this limit will be charged the standard rates. The center also sells mulch. The center charges \$7.68 per ton for mulch. There is no charge for City residents to pick up mulch.

STATEMENT OF OBJECTIVES

The objectives of this audit are to determine if:

1. There are adequate written policies/procedures in place for wood recycle cash collections.
2. Proper internal controls are in place surrounding the cash collections 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 wood recycle cash collections. IA also reviewed Collection Reports and the related supporting documentation. IA also met with staff from the Waste Resources Division to obtain an understanding about the wood recycle 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 wood recycle cash collections.
2. Controls are not in place to ensure that all collections are properly accounted for 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 wood recycle 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 wood recycle center, we observed that the scale operator works 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 Resource 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 wood recycle 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 purchases, 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 initial receipt. Of the thirty-one (31) collection reports selected for testing, twenty-one (21) collection reports (67.74%) 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 wood recycle 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 10 mile distance between the Wood Recycle Center and the WRD offices, funds collected at the Wood Recycle Center were brought down every other work day. As a result all of the funds collected were not reaching the Treasurer's Office within the three (3) days required by the TCA. Funds collected at the Wood Recycle Center are now transported to the WRD offices on the next business day for further processing and then sent to the Treasurer's Office.

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

NOT-FOR-PROFIT TIPPING FEE WAIVERS

The Waste Resources Division allows certain not-for-profit organizations to bring items to the wood recycle center free of charge. This policy (waiving tipping fees for not-for-profit organizations) does not appear to be in writing. Further, this policy does not appear to have been approved by the City Council.

RECOMMENDATION 4

We recommend 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.

AUDITEE RESPONSE

The WRD concurs with this recommendation.

The WRD will develop a formal policy for dealing with solid 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.

BILLING ADJUSTMENTS NOT REVIEWED

A database is maintained by the Waste Resources Division staff to maintain the wood recycle operations data that is initially recorded by the scale operator 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 5

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.

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 wood recycle collection reports. IA found that the collection date information is maintained on the WasteWORKS computer at the wood recycle center.

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 wood recycle 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 dates on that report. The software change to the report will be in place on or before July 1, 2008.