

Follow-Up Audit of Solid Waste Revenue

**Report by the
Office of County Comptroller**

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September 30, 2002

Richard T. Crotty, County Chairman
And
Board of County Commissioners

We have conducted a follow-up audit of the Solid Waste Division. Our original review included the period of July 1, 1998 to December 31, 1998. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 2001 through November 30, 2001. Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous condition and the previous recommendation. Following the recommendations is a summary of the current status as determined in this review.

We appreciate the cooperation of the personnel of the Utilities Department during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Mike Chandler, Director, Utilities Department

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

**FOLLOW-UP AUDIT OF SOLID WASTE REVENUE
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Division enhances its efforts to ensure that weighmasters do not participate in cash counts immediately preceding bank deposits.	X			
2.	We recommend the Division institutes a policy and procedures to bill "cash" customers with outstanding balances.	X			
3.	We recommend the Division imposes interest penalties, as outlined in Section 215.422, Florida Statutes, for delinquent governmental customers.	X			
4.	We recommend the Division initiates a change to its credit policy requiring all credit customers to mail their payments to a lockbox.		X		
5.	We recommend the Division reviews customer accounts on a monthly basis. Such efforts should ensure that deposits/bonds are sufficient to cover average monthly tipping fees and identify customers with balances exceeding their surety. Customers exceeding their deposit/bond should be placed on a cash only payment basis with credit privileges reinstated after payment of the entire balance due.	X			
6.	We recommend the Division reviews all active customer accounts to determine if surety bonds have expired. A new bond should be secured from customers where lapses are noted.	X			
7.	We recommend the Division institutes steps to ensure compliance with legal weight limits.			X	

**FOLLOW-UP AUDIT OF SOLID WASTE REVENUE
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
8.	We recommend the Division institutes procedures to ensure it documents periodic test weighing of all active trucks and removes trucks no longer in use from the system.	X			

INTRODUCTION

Scope and Methodology

The audit scope was limited to determining the status of the Recommendations for Improvement noted in the previous audit of the Solid Waste Division (Division) revenue issued in May 2000.

The objective of the audit was to determine whether the recommendations from the previous audit have been implemented, partially implemented, or not implemented.

We reviewed daily balance sheets from the landfill for October 2001 to verify that weighmasters collecting revenue did not participate in the cash count preceding the bank deposit.

To determine whether efforts are being made to collect from “cash” customers with accounts receivable balances, “To Be Billed” sheets were obtained and traced to billing notices.

We reviewed the account histories of a sample of governmental customers and verified that, where applicable, interest penalties for late payments were assessed.

We examined the business office check log to determine if accounts receivable payments were mailed to the landfill instead of being sent to the lockbox.

We reviewed the account histories of a sample of credit customers to verify that haulers with an accounts receivable balance that exceeded their bond or cash deposit were required to pay cash for future transactions.

We reviewed Utilities Department accounting data and interviewed personnel to verify that credit customer bond amounts were adequate and periodically monitored.

We examined transactions for the Division’s transfer station trucks to determine if the vehicles exceeded the 80,000 pound statutory limitation.

We reviewed the Division’s master vehicle list to verify trucks that are no longer used by refuse haulers have been removed from the computer system.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



1. Weighmasters Should Not Participate In Cash Counts Immediately Preceding Bank Deposits

At the conclusion of each day's operations, the weighmaster and the foreman count the cash collections. Two individuals assigned to the landfill business office count these collections again the following morning. Two employees are present during each count and all attest to the amount counted by signing the Daily Balance Sheet. During our previous review, we found that in four percent (10 of 278) of the counts sampled the weighmaster involved in the first count also participated in the verification count the next morning. Utilities Department revenue processing procedures prohibit a weighmaster who accepted cash the day before from participating in the count the next morning prior to deposit.

We Recommend the Division enhances its efforts to ensure that weighmasters do not participate in cash counts immediately preceding bank deposits.

Status:

Implemented. We reviewed landfill revenue collections that were made during October 2001 and found no instances where a weighmaster participated in the verification count.

2. The Division Is Not Billing Cash Customers With Outstanding Balances

Customers not having a credit account with the Division are required to provide payment at the point of sale. Occasionally, a customer does not have enough funds to pay the entire bill. Weighmasters prepare "To Be Billed" sheets to document these occurrences and to provide information about the customer for billing. We were informed that the Division has not instituted a billing function to collect monies due from these customers.



We Recommend the Division institutes a policy and procedures to bill “cash” customers with outstanding balances.

Status:

Implemented. We reviewed ten “cash” customers with a balance due and noted that each had been sent a payment invoice.

3. Governmental Entities Should Be Assessed A Late Penalty

Section 215.422 Florida Statutes, imposes an interest penalty on state agencies for invoices not paid within 40 days of receipt. During our audit we prepared account history analyses for a sample of local governmental customers and noted ten instances where a late fee could have been imposed and was not. As such, the County lost the opportunity to collect an additional \$5,181.14.

We Recommend the Division imposes interest penalties, as outlined in Section 215.422, Florida Statutes, for delinquent governmental customers.

Status:

Implemented. We reviewed the account histories of a sample of governmental customers and found the Division assessed late penalties for delinquent payments of September 2001 tipping fees.

4. All Credit Customers Should Be Required To Send Their Payments To A Lockbox

During the period February through April 1999, the Division received over one-half of the approximately \$5,400,000 of credit revenue at the landfill by mail or by courier. Some of the checks received were for almost \$400,000. Efforts

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



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should be undertaken to reduce the amount of cash and checks received at the landfill.

Division management informed County Audit of its intent to establish a lockbox function where credit customers could mail their accounts receivable checks to a central depository.

We Recommend the Division initiates a change to its credit policy requiring all credit customers to mail their payments to a lockbox.

Status:

Partially Implemented. The percentage of checks received at the landfill has been reduced from approximately 50 percent to 10 percent of total credit sales. Fourteen checks totaling almost \$400,000 were received at the landfill business office during October and November 2001. Checks of as much as \$100,000 were noted. We were told that to avoid a late penalty customers send checks to the landfill instead of to the lockbox.

We Again Recommend the Division initiates a change to its credit policy requiring all credit customers to mail their payments to a lockbox.

Management's Response:

Do not concur. We feel it would be inappropriate and not a reasonable customer service practice to refuse payments delivered to the landfill, especially those that could result in the imposition of late fees.

Solid Waste has implemented several actions to reduce the amount of cash received at the landfill including advising customers and stamping each invoice with a notice to send payment to the lockbox.

We will continue to remind and encourage customers to mail payments to the lockbox.



**5. Deposit/Bond Policies Should Be Enforced For
Credit Customers**

The Division's credit policy requires each charge customer to provide a cash deposit or surety bond equal to three times its estimated average monthly bill. Deposits or bonds are required to be reviewed monthly to ensure adequacy in relation to the actual charges incurred. If a customer's accumulated account balance exceeds the deposit or bond, charge privileges are suspended and a cash only payment basis is imposed until the outstanding balance is paid.

We Recommend the Division reviews customer accounts on a monthly basis. Such efforts should ensure that deposits/bonds are sufficient to cover average monthly tipping fees and identify customers with balances exceeding their surety. Customers exceeding their deposit/bond should be placed on a cash only payment basis with credit privileges reinstated after payment of the entire balance due.

Status:

Implemented. We reviewed the bond status of twelve credit customers. Eleven haulers had bonds that were at least three times their monthly average tipping fee charges during the period May 2001 through October 2001. One customer with a bond of \$30,000 had average charges of \$30,429. The Division notified the hauler of the situation and placed the customer on a cash only payment basis.

We noted two customers, no longer using the Division's facilities and with combined outstanding balances of almost \$20,000, that are now owned by a third hauler. The bonds of the two acquired haulers have been cancelled. At the time of the audit the Division had not received written documentation identifying the change in control of one of the entities.

We Recommend the Division consults with appropriate legal counsel to determine whether the outstanding account balances of the acquired haulers are collectible.



Management's Response:

Concur. The Division has contacted the County Attorney's Office regarding collection, and is considering actions up to and including drawing on the \$1.5 million bond that is currently in place. We have set up a meeting with the concerned parties for Wednesday, September 25, 2002.

6. Credit Customer Surety Bonds Should Be Reviewed To Ensure That Coverages Are Adequate

As part of our testing to ensure compliance with the Division's credit policy, a sample of ten charge customers was chosen. During our review of these ten customers, we noted three instances where a customer's surety bond coverage had expired. During the period, July 1, 1998 through December 31, 1998, the three customers incurred average monthly charges of \$170,413.

We Recommend the Division reviews all active customer accounts to determine if surety bonds have expired. A new bond should be secured from customers where lapses are noted.

Status:

Implemented. Surety bond agreements for the twelve credit customers sampled identified each bond as current. We also noted riders updating bond amounts where applicable.

Some of the agreements do not identify bond expiration dates. Instead, wording indicates the bonds are enforceable until cancelled at a future date. Bond agreements require the surety to notify the County of the cancellation within 30 days. The County performs no periodic checks to ensure bonds are active. We were concerned that in the event a surety fails to provide notification of a cancellation and a hauler incurs a significant bill, the County would be at risk of losing substantial revenue. Monitoring customers with



bonds that have open-ended expirations can help prevent such an incident.

We Recommend the Division periodically reviews the status of customer bonds that have indefinite expirations.

Management's Response:

Concur. A procedure has been implemented to track and verify renewal of all bonds without expiration dates. In April 2002, all bonds without expiration dates were verified as having been renewed. From that date on, customers with bonds with expiration dates will be sent written notifications requesting verification of renewal or bonds will be called for all outstanding balances prior to termination.

7. Efforts To Monitor Truck Weights Should Be Improved

Florida Statutes prohibit a vehicle with a gross weight exceeding 80,000 pounds from using a Florida roadway. We tested a sample of the Division's trucks hauling refuse from the Porter and McLeod Transfer Stations to the landfill during July 1999. Forty-one percent (51 of 124) of the trucks from Porter and twenty-one percent (32 of 149) of the trucks from McLeod had gross weights in excess of 80,000 pounds.

We Recommend the Division institutes steps to ensure compliance with legal weight limits.

Status:

Not Implemented. We reviewed transactions involving the Division's trucks hauling refuse from the transfer stations during October and November 2001. Thirty-three percent (92 of 276) of the trucks from Porter and twenty-two percent (72 of 328) of the trucks from McLeod had gross weights in excess of 80,000 pounds.



We Again Recommend the Division institutes steps to ensure compliance with legal weight limits.

Management's Response:

Concur. New procedures were established in June 2002, requiring all trailers to be weighed at the transfer stations. No overweight loads are allowed to leave the facilities.

8. Refuse Truck Data Maintenance Should Be Enhanced

The Division regularly verifies tare (empty) weights of trucks used by its large customers. Procedures provide for the scale house to weigh trucks of particular haulers on a periodic basis. We sampled twenty-five trucks from the Division's master vehicle list and found that forty-four percent (11 of 25) were not documented as having been recently test weighed. Although the trucks were recorded as being active, some had not been weighed for up to three years.

We Recommend the Division institutes procedures to ensure it documents periodic test weighing of all active trucks and removes trucks no longer in use from the system.

Status:

Implemented. We selected a sample of 30 trucks from the Division's master vehicle list and found that all had been test weighed within the scheduled six-month interval and updated information appeared in the computer system.