



**GARLAND**

**INTERNAL AUDIT**

## **A/R - Cash Handling Audit**

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## Authorization

We have conducted an audit of the A/R - Cash Handling Audit. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

## Objective

The objective of the audit is to evaluate the monitoring over the Accounts Receivable/Cash Handling Function.

## Scope and Methodology

Our audit period covered January 1, 2009 - March 31, 2012.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This included compliance with directives, policies and procedures. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

While we report to the Mayor and City Council and present the result of our work to the Audit Committee, we are located organizationally outside the staff or line management functions we are auditing. Therefore, this Audit organization may be considered free of organizational impairments to independence to audit internally and report objectively to those charged with governance.

Six (6) revenue sources of the City were judgmentally selected as follows:

<b>Revenue Source</b>	<b>Total Revenue</b>
Ad Valorem	\$39,924,529
Landfill Fees	\$ 5,396,417
Disposal Fees	\$ 3,815,559
EMS Ambulance Fees	\$ 2,122,399
E-911 Fees	\$ 1,630,205
Police Services	\$ 1,363,096

Source: City of Garland 2010-11 Annual Operating Budget

Sales Tax is handled by the Finance Department and our focus was on other departments outside of Finance, therefore we did not select it for review. Franchise Fees (Time Warner Cable, Verizon Cable, Atmos Energy, Oncor, and Commercial Sanitation Franchise fees) have all been reviewed in previous audits.

In addressing these six (6) revenue sources, we combined E-911 Fees with Police Services as well as Landfill Fees with Disposal Fees. For Police Services, Internal Audit chose to review only revenue from Accident Reports and School Resource Officers.

To adequately address the objective for each of the six (6) revenue sources, we:

- Requested and reviewed current policies and procedures as it relates to accounts receivable processing.
- Developed flowcharts to better understand each Department's process.
- Performed a walkthrough of cash handling procedures for each area.
- Tested areas where segregation of duties may apply.
- Obtained and reviewed contracts as it was applicable to each revenue area.
- Reviewed aging reports as it was applicable to each revenue area.
- Determined who monitors and pursues collection of revenue.
- Reviewed City Ordinances and Government Codes applicable to each revenue area.
- Requested and obtained SAS 70 (SSAE 16) from third party providers or equivalent control verification report to ensure appropriate controls are in place.

In addition, we performed testing specific to each revenue source as follows:

- **Ad Valorem –**
  - Verified that Certified Tax Roles amounts balanced to what was entered into the NetTax System
  - Reviewed report of taxes owed and re-calculated Penalty and Interest to determine accuracy
  - Reviewed refunds processed to ensure effectiveness
- **EMS – Ambulance Fees**
  - Compared third party transport fees with revenue obtained by the department manager.
  - Ensured the third party provider received appropriate documentation.
  - Obtained and reviewed a sample of invoices to ensure correct charges.
  - Determined write-off amounts and compared to the general ledger.
  - Verified payments made by the third party provider to bank statements.
- **E-911 Fees and Police Services**
  - Identified telecommunication service providers remitting E-911 service fees as well as all providers remitting Right-of-Way fees.
  - Measured the total amount of E-911 revenue with the total amount of E-911 expenditures to determine if revenue is used for E-911 services.

- Requested and reviewed GISD Overtime/Comp Time forms from SRO to ensure that overtime reports are appropriately reported and billed to GISD.
- **Landfill/Transfer Station and Disposal Fees**
  - Tested the reliability and integrity of computer generated receipts.
  - Sampled and compared invoices to receipts.

During our review of E-911 Fees, we determined our scope was limited in attempting to compare telecommunication service providers who remit E-911 fees with those providers who remit Right-of-Way fees to the City. Service providers paying fees to the City differ in both respects.

### **Overall Conclusion**

Upon reviewing the six (6) revenue sources as previously mentioned, we identified areas where improvements could be made as follows:

- **Ad Valorem Tax** – Employees use other's logins.
- **EMS-Ambulance Fees** – The transport fees and mileage rate being used is not what is in Ordinance 6497.
- **E-911 and Police Services** –
  - We identified weaknesses in segregation of duties in the cash handling process regarding E-911 Fees and Police Services.
  - SRO overtime documentation was not obtained from GISD prior to approval in the time entry system which resulted in overtime charges not billed to GISD in the amount of \$1055.34.
  - Ordinance 5044 needs to be updated to be aligned with THSC.
  - E-911 service fees remitted by telecommunication service providers are decentralized.
- **Landfill/Transfer Station and Disposal Fees** –
  - Incorrect rates were charged to two customers.
  - Standing Check Agreements violate City Directive Finance - 1 and poses a risk to both the customer and the City.
  - There is a weakness in segregation of duties in the Transfer Station cash handling process.
  - Commercial agreements lack essential elements to protect the City and the department does not recover the fee for reviewing customers' credit.
  - Agreements with contractors were not filed with the City Secretary's Office.

## Background

Accounts Receivables is money owed by customers (individuals or corporations) to another entity in exchange for goods or services that have been delivered or used, but not yet paid. Receivables usually come in the form of operating lines of credit and are usually due within a relatively short time period, ranging from a few days to a year. <sup>(1)</sup>

### Ad Valorem Tax

The General Fund's single largest source of revenue is the Ad Valorem Tax. Of the total Ad Valorem Tax rate, 39.4 cents or 56% is for operations and maintenance (O&M) expenditures in the General Fund. Net of TIF revenues and economic development incentives, O&M Ad Valorem Tax revenues are estimated to be \$38.9 million. The collection of prior year taxes is projected to result in an additional \$570,000. <sup>(2)</sup>

Sources:

- <sup>(1)</sup> <http://www.investopedia.com/terms/a/accountsreceivable.asp#ixzz1wSY1BHso>
- <sup>(2)</sup> City of Garland 2010-11 Operating Budget

### EMS-Ambulance Fees

The City's Fire Department responds to all E-911 medical emergencies within the city limits. A fee is assessed only if a patient is transported by City ambulance to a hospital. The following fees are currently being charged for ambulance services provided by the City <sup>(2)</sup>:

- Basic life support transfer [BLS]: \$450.00 for residents, \$550.00 for nonresidents, plus a mileage fee of \$10.00 per mile from the site of pick-up to the hospital.
- Advanced life support [ALS-1] involving two or fewer advanced life support measures: \$500.00 for residents, \$600.00 for nonresidents, plus a mileage fee of \$10.00 per mile from site of pick-up to the hospital.
- Advanced life support [ALS-2] involving three or more advanced life support measures: \$625.00 for residents, \$725 for nonresidents, plus a mileage fee of \$10.00 per mile from the site of pick-up to the hospital.
- All supplies used in connection with a transfer shall be charged at 125% of the City's cost.

Ambulance Fees included in the FY 2010-11 Adopted Budget total \$2.1 million. <sup>(3)</sup>

Sources:

- <sup>(1)</sup> <http://www.investopedia.com/terms/a/accountsreceivable.asp#ixzz1wSY1BHso>
- <sup>(2)</sup> City Ordinance 6201 (first three bullets) & City Ordinance 6497 (last bullet)
- <sup>(3)</sup> City of Garland 2010-11 Operating Budget

## **E-911 Fees and Police Services**

E-911 Fee revenue obtained during fiscal year 2011 was projected to be \$1.6 million<sup>(2)</sup>. Expenses related to the Communication division's operation totaled \$3.4 million<sup>(3)</sup> during fiscal year 2011. We were not able to determine expenses related to E-911 services because they are combined with other services provided by the Communications division (Police and Fire Dispatch, Crime Information Center and Property Validation). Additionally, all E-911 revenue is placed in the General Fund account which services many other accounts. The THSC, Chapter 771 regulates the remittance of E-911 Fees by telecommunication service providers<sup>(4)</sup>. Ordinance 5044 imposes the following monthly fees on all customers within the City for 911 services<sup>(5)</sup>:

1. Residential: \$0.75
2. Business, on not more than 100 local exchange access lines: \$1.25
3. PBX, on not more than 100 local exchange access lines: \$2.00
4. Cellular: \$0.75

E-911 Fees for local access lines are collected by telecommunication providers and remitted to the City on a monthly basis while fees collected for each wireless telecommunications connection are remitted to the Comptroller of the State of Texas at a rate of \$0.50 per month for each connection.

Police Services includes SRO salaries and overtime as well as accident reports obtained through the Records division of the Police Department or PoliceReports.us, an online service provider for electronic accident reports. The revenue for Police Services during fiscal year 2011 was \$1.3 million and is regulated by the Police Department and contracts associated with GISD<sup>(6)</sup>. SRO salaries are shared by GISD and the City at a ratio of 50/50 as stipulated in the contract. The contract also stipulates that all SRO overtime costs are paid by GISD which is billed monthly. Citizens can obtain Accident reports from the Police Department in person or online through an online service provider for electronic accident reports, Policereports.us. The cost for each accident report is \$6.00, either in person or online. For each police report citizens obtain online, the City receives \$3.50.

(1) <http://www.investopedia.com/terms/a/accountsreceivable.asp#ixzz1wSY1BHso>

(2) City of Garland 2010-11 Operating Budget

(3) Finance System

(4) [http://www.window.state.tx.us/taxinfo/911\\_fees/911\\_esf.html](http://www.window.state.tx.us/taxinfo/911_fees/911_esf.html)

(5) City Ordinance 5044

(6) Police Department

## **Landfill and Disposal Fees**

We reviewed the Transfer Station and the C.M. Hinton, Jr. Regional Landfill of the Environmental Waste Services (EWS) Department. The Transfer Station receives solid waste for subsequent transfer to the landfill for final disposal and is open to Garland and

Rowlett residents and Non-Garland residents as well as City trucks and some small commercial haulers. C.M. Hinton, Jr. Regional Landfill is open to residents and commercial waste haulers for disposal of solid waste as well as Garland and Rowlett residents. Garland residents can drop off normal household waste for free by showing proof of residency while Rowlett residents are allowed two free drop-offs each year and are required to present a pass. Non-Garland residents and some small commercial customers are charged a per-ton fee at a minimum rate of \$10. <sup>(2)</sup>

Landfill and disposal fees include charges to private commercial haulers and other surrounding cities for the use of the City's solid waste disposal site. The City charges a rate (also known as tipping fees) to private commercial haulers which is primarily based on prevailing market rates. The current charge for commercial haulers is \$35.00 per ton for those utilizing automated equipment and \$52.50 per ton for those manually off-loading. In an effort to increase General Fund revenue, the EWS – Disposal (Landfill) Department has also offered, since 2003, a negotiated tipping fee to commercial haulers who have the capability of providing at least 1,000 tons per month. Total Landfill fees are projected to be \$5.2 million in FY2011-12. <sup>(3)</sup>

Landfill and disposal Fees represent charges to the City's EWS – Deliver Department and other City departments for the disposal of refuse. Disposal Fees are tied to the Landfill's cost-of-service rate which is projected to be \$27.37 per ton for FY 2011-12 Adopted Budget. <sup>(3)</sup>

Sources:

- <sup>(1)</sup> <http://www.investopedia.com/terms/a/accountsreceivable.asp#ixzz1wSY1BHso>
- <sup>(2)</sup> City of Garland Website - <http://www.ci.garland.tx.us/gov/eg/ews/facilities/default.asp>
- <sup>(3)</sup> City of Garland 2011-12 Operating Budget

## Opportunities for Improvement

During our audit we identified certain areas for improvement. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

### Ad Valorem

Finding #1
<b>Condition (The way it is)</b>
During our walk-through of the Tax Department cash handling process, it was observed that an employee had stepped out and did not log off her computer. Another employee then came to the same computer to assist a customer and took a payment. However, the second employee posted the payment under the first employee's login.
<b>Criteria (The way it should be)</b>
<ul style="list-style-type: none"><li>• Each employee should use their own login when performing a task</li><li>• Employee's should log off their computers when stepping away from the office</li></ul>
<b>Cause (Difference between condition &amp; criteria)</b>
<ul style="list-style-type: none"><li>• The other employee did not log off their computer before stepping out of the office</li><li>• In this instance, an employee did not use their own login</li></ul>
<b>Effect (So what?)</b>
Not signing on with their own logins and logging off of computers eliminates the audit trail for accountability and responsibility.
<b>Recommendation</b>
<ul style="list-style-type: none"><li>• Each employee should use their own login when posting payments to keep the audit trail for accountability and responsibility</li><li>• Computers should also be logged off when employees step away from the office.</li></ul>
<b>Management Response</b>
Concur
<b>Action Plan</b>
Change has been implemented.
<b>Implementation Date</b>
Immediate

## EMS – Ambulance Fees

### Finding #1

#### Condition (The way it is)

In reviewing rates charged to patients for transports and mileage, it was identified that what is on City Ordinance 6497 adopted on 11/1/2011 did not match to what was being charged.

#### Criteria (The way it should be)

Ordinance 6497 states the following:

- BLS (Basic Life Support Transfer - two or fewer advanced life support measures) is \$550 for residents and \$650 for non-residents plus a mileage fee of \$12 per mile
- ALS1 (Advanced Life Support Transfer) is \$600 for residents and \$700 for non-residents plus a mileage fee of \$12 per mile
- ALS2 (Advanced Life Support Transfer - three or more advanced life support measures) is \$725 for residents and \$825 for non-residents plus a mileage fee of \$12 per mile

#### Cause (Difference between condition & criteria)

There was a disconnect in what Council's intentions were compared with the final ordinance.

#### Effect (So what?)

The City is not abiding by Ordinance 6497.

#### Recommendation

Management should ensure that the City either abides by Ordinance 6497 or amends the ordinance to reflect the correct rates.

#### Management Response

Concur

#### Action Plan

Revise the Ordinance

#### Implementation Date

July 2012

## E-911 Fees and Police Services

### Finding #1

#### Condition (The way it is)

IA's review of the Accounts Receivable process within the Police Department revealed a lack of appropriate segregation of duties.

The Sr. Administrative Assistant has custody and recordkeeping responsibilities with regard to checks remitted by telecom carriers for E-911 fees and checks remitted to the Records Department by PoliceReports.us, an online records reporting system.

#### Criteria (The way it should be)

Segregation of duties is an important internal control element that aids the City in reaching its objectives.

#### Cause (Difference between condition & criteria)

A lack of awareness for not ensuring a segregation of duties over this function.

#### Effect (So what?)

A single person can carry out and conceal errors and/or irregularities in the course of performing their day-to-day activities.

Segregation of duties provides two benefits:

- A deliberate fraud is more difficult because it requires collusion of two or more persons; and
- It is much more likely that innocent errors will be found.

#### Recommendation

Management should ensure that the recordkeeping and deposit process are segregated or other mitigating controls are used.

#### Management Response

Concur

#### Action Plan

Management will ensure that the Communications Supervisor that handles remittance of E-911 fees from carriers also maintains a spreadsheet of monthly checks received. The Sr. Administrative Assistant will submit a copy of the Cash Edit Report showing the E-911 Fee Checks deposited into the E-911 Fee Account to the Communications Supervisor for reconciliation of records. These actions will effectively segregate the duties of custody and reconciliation of the records.

Management will ensure that the Records Unit Supervisor that handles fees remitted to the Police Records Department by PoliceReports.us also maintains a spreadsheet of monthly checks received. The Sr. Administrative Assistant will submit a copy of the Cash Edit Report showing the PoliceReports.us Fee Checks deposited to the Records Unit Supervisor for reconciliation of records. These actions will effectively segregate the duties of custody and reconciliation of the records.

<b>Implementation Date</b>
Immediate

## Finding #2

### Condition (The way it is)

In reviewing 39 GISD Overtime (O/T) Activity Forms from 23 School Resource Officers (SROs), we noted in four instances overtime was entered into the Police Officers Scheduling System (POSS) and approved by management without ensuring that the required GISD O/T Activity Form was obtained. In addition, GISD was not billed for these instances.

The charges not billed to GISD totaled \$1,055.34 in O/T charges.

Date	Hours	Hourly Rate	Total
01/04/2011	5.50	\$58.63	\$322.47
02/24/2011	6.50	\$58.63	\$381.10
06/04/2011	2.00	\$58.63	\$117.26
10/25/2011	4.00	\$58.63	\$234.52
<b>Total</b>			<b>\$1,055.35</b>

**Please note:** During the audit, management was notified of these incidents. As of June 12, 2012, management obtained the missing GISD O/T Activity Forms.

### Criteria (The way it should be)

- SRO Officers should obtain and provide a GISD Overtime/Comp Time Authorization form to report O/T to the Police Department.
- Documentation should be obtained and reviewed prior to approval in POSS.
- According to Article VI of the School Resource Office Agreement, GISD agreed to fund overtime reporting for SROs, therefore all O/T by SROs should be billed to GISD.

### Cause (Difference between condition & criteria)

- SRO Officer did not provide GISD documentation to SRO Secretary for billing purposes.
- Overtime was approved without proper documentation from the SRO officer.

### Effect (So what?)

Inability to appropriately verify O/T reporting by Garland Police Officers could result in inaccurate payroll reporting and O/T costs not recovered.

### Recommendation

Management should:

- Obtain GISD documentation for review prior to approval in POSS.
- Reconcile POSS Overtime Activity Reports with GISD Overtime Authorization forms monthly to ensure that all reported overtime is included

in the invoice request.

**Management Response**

Concur

**Action Plan**

Management will ensure that GISD overtime will not be paid or approved in POSS until a supporting GISD time sheet has been turned in.

Management will ensure that a monthly audit is conducted, allowing time for prior period exceptions, to reconcile all POSS Overtime Activity Reports with GISD Overtime.

**Implementation Date**

Immediate

### Finding #3

#### Condition (The way it is)

Ordinance 5044 adopted on January 21, 1997 is the authoritative pronouncement for E-911 fees. Telecommunication carriers sign agreements with the City to remit E-911 landline fees. Our examination of the ordinance and agreements revealed the following:

- E-911 cellular fees of \$0.75 are stated in the City Ordinance, however cellular fees are strictly a State fee according to the Texas Health and Safety Code, Section 771.0711 (a), Emergency Service Fee for Wireless Telecommunications Connections. The section states, "A political subdivision may not impose another fee on a wireless service provider or subscriber for 9-1-1 emergency service."
- The agreements lack provisions that would aid the City in the collection and monitoring of E-911 landline fees. Examples of provisions lacking are:
  - Retention of records by the service providers.
  - Right to audit clause.
  - Notification of no-pay service users.

#### Criteria (The way it should be)

- A. The Ordinance should reflect only the current monthly fees assessed by the City.
- B. The City should be able to obtain records to verify the accuracy of fees remitted by the providers and aid in collection of the fees.

#### Cause (Difference between condition & criteria)

- A. The City Ordinance has not been updated since 1997.
- B. It appears, these provisions were not considered during the development of the agreements.

#### Effect (So what?)

- A. The Ordinance indicates a cellular fee of \$0.75 is assessed on all customers within the City by the City. This is misleading since only the State can assess a cellular fee as found in the Texas Health and Safety Code, Section 771.0711(a). The fee according to the Texas Health and Safety Code is \$0.50, not \$0.75.
- B. The City will neither be able to verify the accuracy of vendor payments nor optimize collection capabilities.

#### Recommendation

Management should ensure:

- A. The E-911 cellular fee listed in Ordinance 5044 is removed.
- B. The agreements are amended to reflect items listed in the condition to this

finding.
<b>Management Response</b>
Concur
<b>Action Plan</b>
A. Management will endeavor to work with the City Attorney to update City Ordinance 5044 to remove the E-911 cellular fee listed. B. Management will endeavor to work with the City Attorney to review the current carrier agreements for the purpose of addressing records retention by the service providers, a right to audit clause, and notification of no-pay service users.
<b>Implementation Date</b>
Immediate

## Finding #4

### Condition (The way it is)

Telephone carriers charge their customers for E-911 services. These fees collected are to be remitted to the City to use for E-911 services according to the Texas Health and Safety Code.

In our review of E-911 fees remitted by telephone carriers, we determined that checks were mailed to various different departments throughout the City. The Departments would then forward these checks to Finance for deposit resulting in decentralization of fees remitted for E-911 Services.

### Criteria (The way it should be)

According to Texas Health and Safety Code - Section 771.063 (e), Definition Of Local Exchange Access Line And Equivalent Local Exchange Access Line, "a service provider shall collect and remit the emergency service fees to the advisory commission or the appropriate emergency communication district."

Telephone carriers should remit their fees for E-911 services to the Police Communications Department for tracking purposes.

### Cause (Difference between condition & criteria)

- Agreements prior to 2004 state the wrong address.
- Lack of appropriate communication to the carriers.

### Effect (So what?)

Not ensuring that the Police Communications Department receives these payments results in poor record keeping regarding revenue received to pay for E-911 services.

### Recommendation

Management should ensure:

- Departments forward E-911 checks to the Police Communications Department for deposit.
- Agreements prior to 2004 are amended to reflect the appropriate address.

### Management Response

Concur

### Action Plan

Management will send written notices to all carriers of agreements signed prior to 2004 notifying them of the correct address for remittance of E-911 Fees.

Management will send written notice to other City of Garland Departments requesting that any E-911 checks erroneously sent to their Departments be

immediately forwarded to Police Communications Department for deposit.

**Implementation Date**

Immediate

## Landfill and Disposal Fees

### Finding #1

#### Condition (The way it is)

The City has been applying the wrong tonnage rates when calculating monthly bills for two of its' commercial customers during the audit period. Due to this error:

- A. Customer (A) overpaid the City in the amount of \$231.13 during the Nov-2010 through Mar-2012 time period (see Exhibit 1).
- B. Customer (B) underpaid the City in the amount of \$14,351.60 during the Dec-2010 through Apr-2012 time period (see Exhibit 2).

#### Criteria (The way it should be)

The CompuWeigh system should have the correct tonnage rates to process accurate billing.

- A. The Agreement between Customer (A) and the City of Garland concerning the disposal of waste in section 1.1 states the following: "Garland agrees to allow Customer (A) or its designated contractor to dispose of municipal solid waste generated by Customer (A) citizens at either the Castle Drive or proposed Raney Tract landfill pursuant to the same terms and conditions as Garland's residential and commercial customers. Customer (A) should have been charged the City rate of \$25.40 for 2010 and 2011 and \$27.37 for 2012; instead, Customer (A) was charged \$30 and \$52.50 during the audit period.
- B. Per City Code of Ordinances Sec. 52.33 Landfill user fees, (A) All persons in cars or pickup trucks without trailers shall be required to use the transfer station unless directed to the landfill by the Managing Director of Environmental Waste Services or his designee. The charge for haulers using vehicles shall be thirty-five dollars (\$35.00) per ton delivered to the landfill. Customer (B) should have been charged the gate rate of \$35 and not \$30.

#### Cause (Difference between condition & criteria)

- During customer set up in the CompuWeigh System, the Landfill Department inadvertently entered the incorrect rate
- No further review was performed to ensure the accuracy of the rates

#### Effect (So what?)

- A. The City is not in compliance with Customer A's agreement.
- B. The City will continue to lose revenue from customer (B) if the correct rate is not charged.

#### Recommendation

Management should ensure that:

- The correct rate is entered into the CompuWeigh System

- Periodic verifications are done to verify the accuracy of the rates

**Management Response**

Concur

**Action Plan**

- Compu Weigh System has been updated with the correct rates for the two commercial customers as of May 1, 2012
- A master list has been developed depicting rates for all billed customers with their applicable contract expiration dates.
- Scalehouse supervisor or designee will review monthly the accuracy of billing rates.

**Implementation Date**

July 1, 2012

## Finding #2

### Condition (The way it is)

The Landfill accommodates customers who do not have the credit qualifications for a Commercial Agreement by entering into a Standing Check Agreement. In these cases, the customer leaves a signed, blank check on Friday and is authorized to dump trash at the Hinton Landfill throughout the following week. Receipts are provided to customers and copies are retained with the blank check. On the following Thursday, the receipt copies are calculated and the check is completed by a cashier with the total accumulated dollar amount from the receipts. The check is then processed for deposit.

Internal Audit does not believe that this is a good business practice since this presents various risks to both the customer and the Landfill Department.

### Criteria (The way it should be)

1. Customers who do not meet the credit qualifications should pay at the time of services.
2. Finance Directive 1.3 - Cash Handling Procedures states, "Each day's receipts will be deposited intact no later than the next business day."

### Cause (Difference between condition & criteria)

Some customers do not have the credit to qualify for a Commercial Agreement that would allow them to be billed and pay on a monthly basis. These customers use the Landfill several times throughout each week.

### Effect (So what?)

Accepting blank checks presents a high risk for both the customer and the City for the following reasons:

1. *Carte blanche* given to Landfill employees to complete the check with any amount could result in fraud.
2. The blank check could be lost and not deposited resulting in a loss of revenue.
3. Checks could bounce.
4. More customers could make this request resulting in greater risk exposure by the City.

### Recommendation

Management should:

- Revoke Standing Check Agreements and stop accepting blank checks.
- Require payments at the gate for each transaction until other options are evaluated such as obtaining a deposit from customers who do not meet the credit qualifications and performing monthly billing.

### Management Response

Concur

**Action Plan**

- Hinton Landfill will discontinue offering Standing Check Agreements and stop accepting blank checks.

**Implementation Date**

July 13, 2012

### Finding #3

#### Condition (The way it is)

The main cashier and relief cashier collect money at the Transfer Station. At the end of the day, they individually balance their cash drawers and verify each other's counts but we could not find documentation to show that this is done. The main cashier then prepares the cash report and makes the deposit.

#### Criteria (The way it should be)

The recordkeeping and deposit process should be segregated.

#### Cause (Difference between condition & criteria)

The recordkeeping and deposit processes are not segregated.

#### Effect (So what?)

A single person can carry out and conceal errors and/or irregularities in the course of performing their day-to-day activities.

Segregation of duties provides two benefits:

- A deliberate fraud is more difficult because it requires collusion of two or more persons; and
- It is much more likely that innocent errors will be found.

#### Recommendation

Management should ensure that the recordkeeping and deposit process are segregated.

#### Management Response

Concur

#### Action Plan

- Department has established a procedure to ensure that the recordkeeping and deposit process for the Transfer Station cashier functions are segregated.

#### Implementation Date

July 10, 2012.

## Finding #4

### Condition (The way it is)

EWS entered into agreements with various small commercial entities whereby the entities are billed monthly for using the Hinton Landfill services. In our review of these Commercial Agreements and associated business practices, we noted the following:

A. Agreements do not include essential elements to protect the City such as:

- Late payment provisions.
- A statement to notify the department of changes in customer information.
- An expiration date.

B. Customers are not required to pay an application fee to recover the City's cost of obtaining credit reports for review.

### Criteria (The way it should be)

A. Standard Commercial Agreements generally include:

- Late payment provisions.
- Instructions for notifying the department of any changes to the customer's information such as, contact information change of address or phone number, etc.
- An expiration date.

B. Prudent business practices dictate that a fee is assessed to recoup costs associated with obtaining credit reports.

### Cause (Difference between condition & criteria)

Management did not:

A. Include the previously stated criteria in the Commercial Agreements.

B. Assess an application fee.

### Effect (So what?)

A. Effects of not including late payment provisions, criteria for notifying the department of changes to customer information and an expiration date are as follows:

- Late payments cannot be assessed.
- Inability to collect outstanding past bills due to an unreported change in contact information.
- A lack of expiration date prevents the department from re-evaluating a customer's credit-worthiness as well as updating their records and information on a regular basis.

B. The City cannot recoup the costs of processing credit applications.

**Recommendation**

Management should ensure that:

A. Commercial Agreements are updated to include late payment provisions, requirements involving changes to customer information and an expiration date as well as continuously monitor Agreements to reflect periodic changes.

B. Application fees are assessed.

**Management Response**

Concur

**Action Plan**

- Hinton Landfill will modify existing commercial agreement as recommended.
- Department will forward modified document to City Attorney's office for review and comments prior to use of this agreement.

**Implementation Date**

July 30, 2012

## Finding #5

### Condition (The way it is)

The Landfill Department did not file the original Landfill Usage Agreements between the City and Contractors with the City Secretary's Office

### Criteria (The way it should be)

Original Landfill User Agreements should be filed with the City Secretary's Office per City Directive #5, Departmental Original Documents.

### Cause (Difference between condition & criteria)

The Landfill Department was not aware that they were to file the original Landfill Usage Agreements with the City Secretary's Office.

### Effect (So what?)

Not filing the original Landfill User Agreements with the City Secretary's Office is a violation of City Secretary Directive #5. Departments also have difficulty finding agreements when they are not filed in the central repository area.

### Recommendation

Management ensures that all contracts with third parties are filed with the City Secretary's Office.

### Management Response

Concur

### Action Plan

- Landfill Usage Agreements for Community Waste Disposal, IESI TX and Republic Waste Services have been filed with the City Secretary's office. However, the department only has a copy of the usage agreement for North Texas Municipal Water District (NTMWD). NTMWD document copy has been filed with the City Secretary's office.

### Implementation Date

June 25, 2012

**Exhibit 1**

**Customer A**

<b>Month - Year</b>	<b>Total Tonnage</b>	<b>City of Garland Rate</b>	<b>Rate Charged</b>	<b>Correct Charges</b>	<b>Billed to Customer A</b>	<b>Difference</b>
Nov - 2010	0.07	\$25.40	\$30.00	*\$10.00	*\$10.00	\$0.00
Feb - 2011	2.67	\$25.40	\$30.00	\$67.82	\$80.10	\$12.28
Apr - 2011	1.66	\$25.40	\$52.50	\$42.16	\$87.15	\$44.99
Apr - 2011	2.94	\$25.40	\$30.00	\$74.68	\$88.20	\$13.52
May - 2011	14.34	\$25.40	\$30.00	\$364.24	\$430.20	\$65.96
Jun - 2011	0.45	\$25.40	\$52.50	\$11.43	\$23.63	\$12.20
Jul - 2011	0.25	\$25.40	\$30.00	*\$10.00	*\$10.00	\$0.00
Oct - 2011	3.00	\$25.40	\$30.00	\$76.20	\$90.00	\$13.80
Nov - 2011	0.88	\$25.40	\$30.00	\$22.35	\$26.40	\$4.05
Dec - 2011	0.38	\$25.40	\$30.00	*\$10.00	\$11.40	\$1.40
Mar - 2012	23.93	\$27.37	\$30.00	\$654.96	\$717.90	\$62.94
					<b>Total Dif.</b>	<b>\$231.13</b>

**Rates**

2010 charge - \$25.40  
2011 charge - \$25.40  
2012 charge - \$27.37

\*Per City Code of Ordinances Sec. 52.33 (E) the minimum dump fee at either installation will be ten dollars (\$10.00)

**Exhibit 2****Customer B**

<b>Month – Year</b>	<b>Total Tonnage</b>	<b>@\$30</b>	<b>@\$35</b>	<b>Difference</b>
Dec - 2010	180.32	\$5,409.60	\$6,311.20	\$901.60
Jan - 2011	199.34	\$5,980.20	\$6,976.90	\$996.70
Feb - 2011	123.47	\$3,704.10	\$4,321.45	\$617.35
Mar - 2011	216.84	\$6,505.20	\$7,589.40	\$1,084.20
Apr - 2011	177.19	\$5,315.70	\$6,201.65	\$885.95
May - 2011	188.17	\$5,645.10	\$6,585.95	\$940.85
Jun - 2011	219.38	\$6,581.40	\$7,678.30	\$1,096.90
Jul - 2011	159.18	\$4,775.40	\$5,571.30	\$795.90
Aug - 2011	201.71	\$6,051.30	\$7,059.85	\$1,008.55
Sep - 2011	221.72	\$6,651.60	\$7,760.20	\$1,108.60
Oct - 2011	225.9	\$6,777.00	\$7,906.50	\$1,129.50
Nov - 2011	239.52	\$7,185.60	\$8,383.20	\$1,197.60
Dec - 2011	85.62	\$2,568.60	\$2,996.70	\$428.10
Jan - 2012	0	\$0.00	\$0.00	\$0.00
Feb - 2012	0	\$0.00	\$0.00	\$0.00
Mar - 2012	145.15	\$4,354.50	\$5,080.25	\$725.75
Apr - 2012	286.81	\$8,604.30	\$10,038.35	\$1,434.05
			<b>Total Dif.</b>	<b>\$14,351.60</b>