

DOUGLAS COUNTY INTERNAL AUDIT DIVISION

**2007/2008 – 01
Follow-Up Audit of
Douglas County Environmental Services
(Landfill)**



Douglas County Internal Audit Division

DATE: November 7, 2007
TO: Mr. Kent Holm, Director Environmental Services
FROM: Carmen Harmon, Internal Audit Supervisor
Subject: 2007/08 – 01 Follow-Up Audit to Special Report 2006/07 – 03,
Environmental Services (Landfill)

The 2007/08-01 Follow-Up Audit of Environmental Services was conducted in accordance with Standards for the Professional Practice of Internal Auditing (IIA) *except Standards 1310-1 through 1312-2*.

DCIAD conducted a follow-up interview with the Director of Environmental Services on October 30, 2007. The scope of the follow-up audit included re-examining the recommendations and responses from 2006/07 – 03 Special Report, Environmental Services (Landfill) to determine if the recommendations were implemented.

The purpose of this report is to describe the implementation process to the recommendations made in Special Report 2006/07 – 03. If the recommendations were not implemented, management provided adequate justification.

This report is intended solely for the information and use of the Department. However, this report is matter of public record and its distribution is not limited.

Douglas County Internal Audit Division (DCIAD)

Recommendations Implemented

Finding #1: The daily deposits made for the cash collections were missing two employee signatures (initials) on the deposit tickets and daily cash balancing report. There also were two (2) deposits in our sample selection which had errors on the deposits slips and two (2) deposits in our sample selection which had alternations on the deposit slips.

Question: Do you have any internal written policies for your department regarding cash handling? Do you have any procedures detailing Landfill personnel requiring at least two employees verifying cash deposits?

Management Response: Two (2) different employees prepare the opening and closing balances for the day. The same employees do not close the shift at night and then open the next morning.

We are trying a different staffing arrangement at the scale house to have two (2) employees per shift at all times. This staffing change is resulting in more overtime expenditures. Environmental Services is looking to hire a temporary employee to help cover staff shortages and reduce overtime. Also, please note that the daily cash balancing report is also audited separately by Audit Accountant, Leslie Huber, in our office.

Finding #2: Checks written from the Bank of Bennington account should have two (2) signatures.

Question: Have you implemented a policy and procedure manual for all areas in your department? Has paperwork been submitted to the Bank of Bennington to require two (2) signatures on all checks written?

Management Response: The Director of Environmental Services filed the appropriate paperwork with the Bank of Bennington to require two signatures on every check. DCIAD has received copies of the bank paperwork.

Finding #5: There are no written agreements for free tonnage disposal for Douglas County Highway Department and twenty-five (25) free tonnage disposals per billing cycle for the Nebraska State Department of Roads.

Question: Has a formal written agreement been drafted and approved by the County Board?

Management Response: There was a formal written agreement drafted and approved by the Douglas County Board on October 10, 2007.

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Recommendations Not Implemented

Finding #3: Central Waste, a cash only garbage customer, was short cash payments or had late deposits for their waste disposals transactions.

Central Waste is currently a cash customer of the Douglas County Landfill due to Central Waste not adhering to the terms of the credit agreement. At the beginning of every business day of operations, Central Waste will usually submit a cash deposit for the current day's activities. Some business days the cash deposit will be excess of Central Waste's daily activities and the cash overage is carried forward to the next business day. There are days where the beginning cash deposit for Central Waste is not sufficient to cover their daily activities. In the event of the cash shortages, Central Waste will be notified of the shortage and a late deposit will be submitted. Central Waste had late deposit twenty-five (25) days out of the seventy-four (74) business days (33.8%) in our sample selection. Even though Central Waste is a cash customer, their business practices are operating in the manner of a credit customer. To eliminate the potential negative effects of insufficient daily deposits and/or the inaccurate accounting of the tonnage disposals, Douglas County Landfill personnel should not assume the responsibility of assuming Central Waste's accounting clerk responsibilities.

Question: Has the handling of cash receipts from Central Waste's daily transactions changed?

Management Response: Landfill personnel only accept cash or a cashier check from Central Waste.

Environmental Services is handling the Central Waste account in the manner that was agreed to in an agreement between Central Waste and the Douglas County Attorney's Office. DCIAD has a copy of the court stipulation agreement.

Auditor's Response: The stipulation stated in the Douglas County District Court decision, addresses the delinquent amount of money Central Waste owes Douglas County. There is no mention in the stipulation regarding the method or manner of handling the daily transactions of Central Waste.

DCIAD would like to reiterate the current method of handling the daily transactions of the Central Waste account is like a credit account in the guise of cash transactions. A cash only transaction is approached in the manner of cash payment at the time services are rendered (i.e. each time a truck is weighed, cash payment is collected). Environmental Services (Landfill) personnel are performing the accounting functions for the Central Waste's bookkeeper. This function has the potential to create negative accounting issues of insufficient funds collected (received) and/or inaccurate accounting.

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Finding #4: Cash collections are not adequately secure at times.

DCIAD observed landfill personnel (weigh masters) collect the money from the customers and either place the money in an unlocked cabinet drawer or the open cash register.

Question: Is the cash register being utilized for securing cash and the cash register receipt being utilized for verification of cash transactions?

Management Response: Environmental Services has not changed the current procedure. Management believes there is adequate security over cash transactions.

A new procedure was implemented where all vehicles must be weighed by the scales. A scale weight is recorded in the computer system owned and maintained by Waste Management for all vehicles. The new procedure removes the subjective decision making by the Landfill personnel when determining between a flat rate fee and a fee based on scale weight. Scale tickets/receipts are printed for each scale transaction so there is a record of all cash transactions that must be reconciled each day against the cash collected for that day.

Auditor Response: This finding addresses the issue of security of the physical cash collected. The new procedure that Waste Management implemented is an adequate internal control to verify all tonnage receipts. This procedure does not address the adequacy of physical cash security. DCIAD reiterates the need to utilize the cash register to secure cash collected or place a lock on the cabinet drawers Landfill personnel utilize for cash.

Finding #6: The daily cash balancing report and tracking for individual cash customers are performed manually in paper format.

Question: Have any of the manual paper functions been computerized?

Management Response: This recommendation has not been implemented because it wasn't economically feasible to purchase a desk top computer and system setup. The computers that are used by Landfill personnel are Waste Management property. Again, the PC Scales computer program logs all of the cash transactions because all cash customers are now required to weigh on the scales. This provides a cross reference for cash/checks collected on a daily basis.

The administrative offices at Environmental Services may upgrade their computers within the next couple of months. It may be possible to place one of these computers in the Supervisor's office at the Landfill. Space is very limited in the scale house and adding another computer is probably not going to be feasible. Would using a desktop adding machine and paper tape (that could then be attached to the current manual report) be an appropriate method to utilize?

Auditor Response: If it is economically feasible, DCIAD recommends installing a desk top computer at the Landfill so the manual process of the daily balancing report can be computerized. Computerized processes minimize errors due to manual calculations. An adding machine with a paper tape would aid in verifying the mathematical calculations verification of

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the daily deposits. An adding machine would be an additional office tool but does not replace the need for a desktop computer with computerized processes.

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DCIAD Staff participants in 2007/ 08 Follow-Up Audit # 1, Douglas County Environmental Services - Landfill

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Follow-Up Audit # 1, 2007 / 08 was released on November 7, 2007

