



SALT LAKE COUNTY AUDITOR'S OFFICE

JEFF HATCH

Auditor

June 5, 2007

John Ioannou, Director
Solid Waste Management
6030 W California Avenue
Salt Lake City, UT 84104

Re: Solid Waste Management Audit

Dear John:

We recently completed an audit at Solid Waste Management (SWM). We reviewed the following areas:

- Cash receipting and depositing
- Petty cash and change funds
- Accounts receivable
- Capital and controlled assets

In each of these areas, we evaluated the effectiveness of the internal control environment. Our audit criteria included guidelines for cash handling and depositing found in Countywide Policy #1062, "Management of Public Funds," and standards for managing capital and controlled assets found in Countywide Policy #1125, "Safeguarding Property/Assets." SWM has also developed several internal policies for cash receipting and depositing and accounts receivable, which we reference throughout the letter.

Our work was designed to provide a reasonable, but not absolute, assurance that daily transactions were valid, accurate, and appropriate according to prescribed management policies. Not all areas of SWM operations were reviewed, including purchasing, travel reimbursements, and payroll. Our review of deposits was done on a sample basis and, therefore, problems may have occurred in deposits that were not selected for review.

SWM has automated its financial process by using the WasteWorks software program which was specifically created for waste management facilities. WasteWorks records daily transactions, creates customer billings, and provides financial reports

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helpful to management. With the volume of cash sales and receivables, WasteWorks includes important internal controls and provides increased efficiency in processing customer transactions. In addition to manually analyzing a random sample of hard-copy financial transactions documents, we also obtained electronic transaction data from the WasteWorks database for the time period October 2005 through September 2006. The total number of database transactions examined during the sampled time period was 249,138.

Using Audit Command Language (ACL) software, a data analysis and audit tool, WasteWorks data was queried for transactions meeting certain characteristics. The following letter details the results of those queries. We made the following conclusions about the transactions during the sample period based on our test work in ACL:

- The customers with the highest dollars charged at SWM included:
 - A waste management company (\$6.34 million)
 - Salt Lake County Sanitation (\$5.15 million)
 - Salt Lake City Sanitation (\$2.62 million)
 - West Valley City (\$1.96 million)

- Of the 242 customer accounts at the landfill:
 - 235 customers paid between \$0 and \$633,978
 - 3 customers paid between \$633,979 and \$1,268,044
 - 2 customers paid between \$1,268,045 and \$3,170,247
 - 2 customers paid between \$3,170,248 and \$6,340,586

- The customer accounts with the highest percentage of transactions included the following:
 - 39%, Private Cash Account (used to record citizen loads)
 - 15%, Commercial Cash Account (used to record commercial loads not on account)
 - 9.63%, A commercial waste management company
 - 5.79%, Salt Lake County Sanitation

- The top four material types received at SWM include the following:
 - MSW COMM (Commercial waste), 28% of all transactions
 - PVT Single, (Citizen loads), 27% of all transactions
 - MSW COMM-TS (City/County waste at transfer station), 8% of all transactions
 - Wood Single, (Citizen yard waste), 8% of all transactions

- An analysis of the volume of transactions at the landfill revealed the following:
 - The highest volume of transactions occurred during May, with an average of 867 transactions per day.

- The lowest volume of transactions occurred during January, with an average of 357 transactions per day. The average number of transactions per day, by month can be seen Figure 1 below.

Average Number and Dollar Value of Transactions Per Day, By Month
October 2005 to September 2006

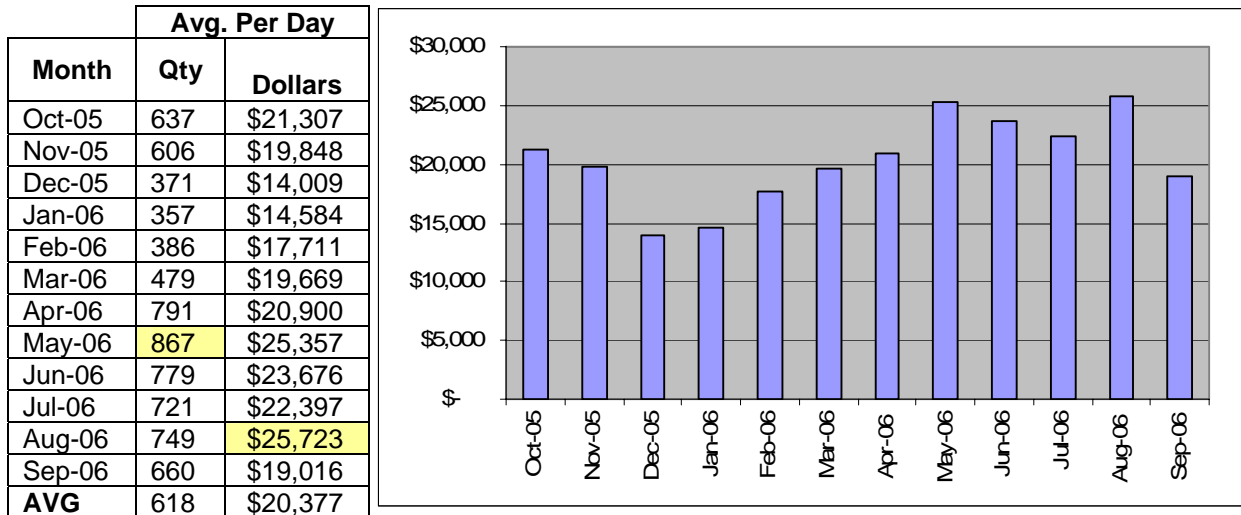


Figure 1. *The highest average dollar amount per day occurred in August; the highest quantity of transactions per month occurred during the month of May.*

As a result of performing the test work using ACL, we found control deficiencies in some processes at SWM. These control deficiencies will be discussed in the next section of the report.

Some findings were discussed with Solid Waste Management personnel at the time of our audit and have not been included in this letter. More significant findings and recommendations are included below and have been divided into the following sections: 1) Petty Cash and Change Funds, 2) Cash Receipting and Depositing, 3) Accounts Receivable, and 4) Capital and Controlled Assets. Deficient internal controls in various operational areas create opportunity for undetected theft(s) of funds to occur. This opportunity will continue to exist until SWM establishes proper controls, either by implementing our recommendations or some equivalent control measures. Several of the findings remain unchanged since the Auditor’s Office last audit of SWM, dated August 2005. Other findings may have been impacted by events that occurred subsequent to that audit, including the elimination of an Assistant Scale House Supervisor position, acceptance of credit cards, and various computer-related problems. Solid Waste Management has reviewed the findings detailed in this letter and provided a written response, dated May 23, 2007, which has been included as Attachment J.

The Auditor's Office was notified on March 19, 2007 that a theft occurred at the landfill sometime after the landfill closed on March 17, 2007 and before it opened for business on March 19, 2007. Daily Collections for March 16, 2007 and March 17, 2007 were stolen. The change fund was left intact. SWM also contacted the appropriate law enforcement agency, the Mayor's Office, and District Attorney's Office. To date, the Audit Division has not been involved in the investigation due to the fact that the law enforcement agency is performing the investigation of the theft.

PETTY CASH AND CHANGE FUNDS

SWM has a petty cash fund and change fund with balances of \$1,500 and \$2,200, respectively. When we performed the unannounced cash count, the petty cash fund had a small overage of \$.92. During the unannounced count of the Scale House Operators' daily collections and the change fund there was a total overage of \$1.52. Our findings in this area include the following:

- **The Scale House Supervisor reimbursed shortages in the change fund with personal funds before notifying the Auditor's Office and Mayor's Office.**
- **The Daily Cash Report, used as a substitute for MPF Form 3, did not include a section for operators to document the change fund, as required by Policy #1062.**
- **Funds were not adequately safeguarded.**

The Scale House Supervisor reimbursed shortages in the change fund with personal funds before notifying the Auditor's Office and Mayor's Office. The authorized change fund balance at SWM is \$2,200. A portion of the amount, \$1,450, is kept in a safe. The remaining \$750 is divided equally among five Scale House Operators. The Scale House Operators keep their portion of the change fund in their own cash drawer, which is stored in a separate safe at the end of day.

The Scale House Supervisor (supervisor), the custodian of the change fund, left for a two week vacation on August 4, 2006, and returned on August 21, 2006. He transferred the change fund, in the amount of \$1,450, to the Scale House Operators. A MPF Form 7A, Fund Transfer Receipt, was not completed at the time of the transfer as required by Policy #1062, Section 2.7.1, which states, "*In the anticipated extended absence of the Agency Cashier, a cash transfer using MPF Form 7A may be effected to carry on normal cash handling functions. Upon the Agency Cashier's return to duty, the funds will be transferred back to the Agency Cashier using the [same procedure].*" The Fund Transfer Receipt documents the individual to whom the funds are transferred and the amount transferred. The supervisor did not complete the Funds Transfer Receipt before he left on vacation. All the operators had access to the \$1,450 change fund,

making it difficult to assign responsibility to a particular individual for any shortage that occurred.

The supervisor obtained the fund again on August 28, 2006, and the fund totaled \$1,425, or \$25 short. The supervisor asked the operators about the shortage. They suggested, and he believed, that the difference was probably due to an operator getting change from the \$1,450 fund and forgetting to replace it.

The supervisor stated that the \$1,450 fund was counted about three times a week. The various denominations that made up the \$1,450 were added on an adding machine tape each time the fund was counted. The employee who performed the count dated and initialed the tape. The tape was placed on the lid of the change fund safe until the fund was counted again, and then the old tape was replaced with the new tape. We observed three adding machine tapes dated August 16, 2006, August 19, 2006, and August 26, 2006. They all totaled \$1,425 and were initialed by the operator who performed the count.

Policy #1062, Section 2.4.3, states, "*The Agency Cashier and each cashier will verify accountability for their cash advance **daily**. This will enable the cashiers to quickly detect and identify any discrepancies and promotes appropriate attention to control over and accountability for county funds.*" We were unable to examine any documentation that showed the change fund balance prior to August 16, 2006 because the adding machine tapes showing the counts were discarded and an MPF Form 3 was not used. We were unable to determine exactly when the change fund became short due to the lack of required documentation. An MPF Form 3 can be seen as Attachment A.

The supervisor stated that over the next three-week period, the fund went further out of balance, to \$70 short. The supervisor notified the fiscal manager of the shortage. In a discussion with the fiscal manager, the supervisor stated he felt responsible for the fund being short since he had trusted the Scale House Operators to handle the funds properly. The supervisor stated that he wanted to replace the shortage with his own personal money. The supervisor used \$70 of his personal funds to replenish the safe change fund to \$1,450.

Policy #1062, Section 2.5, states, "*When a significant shortage or pattern of shortages occurs in the accounts of any cashier, the agency shall conduct an investigation of the circumstances and **report its findings to the Auditor**. After reporting its findings to the Auditor, the agency may request reimbursement of the shortage as provided in Countywide Policy #1203, 'Petty Cash and Other Imprest Funds.'*"

Policy #1203, "Petty Cash and Other Imprest Funds," Section 3.9, states, "*Any unaccounted for funds (shortages) shall be investigated immediately. The custodian, after appropriate investigation may be required to personally replenish the shortage, depending on the circumstances. If the shortage appears to relate to a theft, it shall be*

reported in accordance with Countywide Policy #1304, 'Discovery and Reporting of Thefts.' Any shortages not resolved immediately shall be explained in a letter to the Mayor. The Auditor will reimburse requests to replenish accounts resulting from shortages if authorized by the Mayor through this procedure."

When the shortage was discovered, SWM management was responsible for informing the Auditor's Office and Mayor's Office. However, we were unable to find any documentation that showed that the Auditor and Mayor were notified. Instead, the fiscal manager and supervisor decided that replenishing the shortage with the supervisor's personal funds would suffice. According to policy, the correct procedure is to notify the Auditor's Office and Mayor's Office before any decisions are made to require the employee to use his/her personal funds to replenish the imprest fund. Situations in which shortages are made up with personal funds may promote an environment in which the employee may mishandle funds when overages occur.

Furthermore, if overages or shortages occur that are not significant, an explanation should be included on the over/short log. We also did not find any notation on the over/short log of the \$70 shortage.

RECOMMENDATIONS:

- 1. We recommend that a MPF Form 7A be completed when funds are transferred between SWM employees.*
- 2. We recommend that SWM notify the Auditor's Office and the Mayor's Office when a significant shortage or pattern of shortages occurs in an imprest fund.*
- 3. We recommend that employees not reimburse shortages using their own funds unless instructed and approved by a letter from the Mayor's Office.*

The Daily Cash Report, used as a substitute for MPF Form 3, did not include a section for operators to document the change fund, as required by Policy #1062. The MPF Form 3 prescribed in Policy #1062 contains an area to account for the change fund. The change fund amount is included in the currency count on the form. The change fund is subsequently subtracted from the collection total to determine the amount that is to be deposited in the bank.

Policy #1062, Section 3.7.3, states, "*Each day, all county agencies should balance collections to register (or receipt log) totals, and prepare a deposit using MPF Form 3 or a facsimile developed for the specific agency. Change funds should be counted, restored to the established imprest balance, and shorts and overs recognized and recorded on MPF Form 3, and on MPF Form 11, Cash Over/Short Log.*"

The form that SWM uses as a substitute for MPF Form 3, the Daily Cash Report, does not account for the operator's \$150 change fund, and is therefore, not an appropriate substitute for MPF Form 3 without an area to record the change fund. The operator takes the \$150 out of his/her cash collections before the form is completed. Since the form does not include accounting for the change fund, the operator may inadvertently forget to take out the change fund before the deposit is made, thus causing a shortage in their assigned change fund. In addition, as mentioned above, the count of the main change fund was documented on an adding machine tape that is discarded each time a new count occurs.

A revision to SWM's Daily Cash Report to include the change fund is needed to increase operator accountability. The same form could be used to document the daily count of the main change fund. A revised Daily Cash Report will enable SWM to track overages and shortages in the change fund and to assign responsibility to the Scale House Operators and the fund custodian for their assigned portion of the change fund.

ACTION TAKEN:

SWM revised the Daily Cash Report to include an area for Scale House Operators to account for the \$150 change fund assigned to them.

RECOMMENDATION:

We recommend that an employee count the \$1,450 change fund daily and document the count on either an MPF Form 3 or a conforming Daily Cash Report.

Funds were not adequately safeguarded. During our interviews with SWM employees and the initial SWM Acting Director, we were informed of two situations that occurred in which funds were not adequately safeguarded at the landfill.

The first situation occurred when the Acting Director (AD) observed the safes in the scale house at the landfill on October 13, 2006. The AD observed what appeared to be an unused safe on which the door was ajar. Upon looking inside the unsecured safe, \$44 in rolled coin was discovered. The AD asked the Scale House Operators if the \$44 was part of the change fund. The operators stated that they did not know where or how the funds got there. The AD also interviewed the Scale House Supervisor concerning the \$44. The supervisor was unaware that the funds were stored there and also did not know where they came from. They were unable to determine if the \$44 was part of the change fund shortage. This was due to the fact that a daily count of the fund was not being performed, as discussed previously. After reviewing deposit over/short documentation, we were also unable to determine the source of the \$44. The \$44 was deposited into the SWM operating account.

The second situation also occurred on October 13, 2006. The Scale House Supervisor, who was the change fund custodian, went to the scale house to deliver some change to a Scale House Operator. The supervisor brought a bundle of \$5 bills to exchange for a \$50 bill. The exchange occurred with no problem. However, after the supervisor left, the operator noticed that the supervisor had left the remaining bundle of \$5 bills that were not exchanged on the refrigerator in the scale house. The operator contacted the AD and he advised her to secure the funds in the safe until the next day. The funds were given to the AD on October 14th and were returned to the main change fund safe. The issue was discussed with the Scale House Supervisor, wherein the supervisor acknowledged his neglect in safeguarding the change fund.

Policy #1203, Sections 3.1 and 3.2, state, “*There is to be one person directly responsible for each fund (the Custodian), who is held accountable for the integrity of the amount and operation of the fund. Cash on hand must be retained in a secure location...*” In addition Policy #1062, Section 2.3.1, states, “*Each agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting and safekeeping of public money. A combination cashbox, safe or vault which will afford adequate protection should be assigned to the Agency Cashier and to each Cashier as appropriate to provide adequate segregation and safeguarding of public funds and monies held by each...*” The Policy emphasizes that the duties of the Agency Cashier, or fund custodian, is vital to maintain physical security and protection of County funds.

RECOMMENDATIONS:

- 1. We recommend that SWM management emphasize the importance of safeguarding County imprest funds to SWM staff.*
- 2. We recommend that the fund custodian ensure that County funds are in a secure location at all times.*

CASH RECEIPTING AND DEPOSITING

We selected a random sample of 37 days from October 2005 through September 2006, and reviewed each day’s deposit. Deposits examined contained \$120,779 in cash, \$57,710 in checks and \$25,041 in credit cards for a total of \$203,530. The average deposit equaled \$5,501. Our findings include the following:

- The Scale House Supervisor frequently acted in a cashiering capacity, with no independent review of those transactions.**
- Separation of duties over receipting of checks could be improved.**
- The form of payment was not being recorded correctly.**

- **Overages and shortages exceeded the acceptable amount and explanations were poorly documented or absent.**
- **The Scale House Operators, Scale House Supervisor and the Fiscal Manager did not always sign the over/short log.**
- **The Daily Cash Report was not always signed by the supervisor.**
- **Voided transactions were not handled according to Countywide policy.**
- **Explanations for voided transactions were sometimes vague or were missing.**
- **The explanation for fee-exempt and non-fee transactions was not always documented, and management did not always indicate review of these transactions with initials.**
- **The correct fee was not charged on some transactions involving vehicles with roll-off containers.**
- **Approximately 43 transactions occurred in which the Health, City, and County fees were not charged correctly.**
- **Approximately 174 transactions were coded to the wrong material type and 69 transactions were coded to the wrong customer account.**
- **Checks received for recycled products and miscellaneous items were not deposited within three days of receipt.**
- **Checks were accepted without recording the patron's driver license number on the check.**

The Scale House Supervisor frequently acted in a cashiering capacity, with no independent review of those transactions. Out of the 37 days sampled, the Scale House Supervisor receipted funds in the scale house on 10 occasions. During that period, he was also responsible for reviewing the deposits and comparing the amount collected to the amount recorded in WasteWorks. No independent party reviewed the transactions. Using ACL, we were able determine that the Supervisor worked in the scale house a total of 95 days during October 2005 to September 2006.

Ideally, these duties should be separated among different individuals. Policy #1062, Purpose Section, states, *“Internal control is a system designed to prevent a single employee from exclusively controlling a monetary transaction. The policy provides suggested internal controls for the segregation of duties in such a way that persons who*

are responsible for the custody of funds and performance of cashiering duties have no part in the keeping of, nor access to, those records which establish accounting control over the funds and operations (and vice versa)." Where limited staffing and budget resources prevent separation of duties, additional supervisory review should be implemented.

ACTION TAKEN:

Solid Waste Management now has a second individual review and sign the Scale House Supervisor's Daily Cash Report.

Separation of duties over receipting of checks could be improved. SWM delivers recyclable materials to third party contractors, who purchase the materials through a monthly payment to the landfill. The Fiscal Manager reconciles the payment received to the materials delivered to the contractors. Approximately \$375,000 in revenue was received last year from sale of these materials.

SWM receives checks in the mail for sales of recyclable materials along with accounts receivable payments. The receptionist receives the mail and passes checks received onto the Fiscal Manager. The Fiscal Manager prepares a check log and transfers the funds to the Scale House Supervisor using a funds transfer form, Form MPF 7A. The Scale House Supervisor posts payments to accounts and prepares the deposit.

The Fiscal Manager receives checks, tracks payment of recyclable materials and also completes adjustments to accounts receivable balances. Policy #1062, Purpose Section, states, "*Internal control is a system designed to prevent a single employee from exclusively controlling a monetary transaction. The policy provides suggested internal controls for the segregation of duties in such a way that persons who are responsible for the custody of funds and performance of cashiering duties have no part in the keeping of, nor access to, those records which establish accounting control over the funds and operations (and vice versa).*" Preparation of a check log by the receptionist or other party that is not involved in reconciling funds or adjusting accounts would strengthen separation of duties over checks received, and improve security of SWM monetary transactions.

ACTION TAKEN:

A log of checks received is created by Solid Waste Management's receptionist, who is not involved in reconciling funds or adjusting accounts.

The form of payment was not being recorded correctly. We reviewed 104 daily totals within our sample. The breakdown of receipts by cash, check and credit card was not available for ten of the daily totals, because the Weighmaster Summary Report did not print. On the remaining 94 daily totals, the composition on 73 (78%) of the

Daily Balance Sheets did not match the WasteWorks Weighmaster Summary Report. This has been a recurring finding for Solid Waste Management, appearing in previous audits dated October 1999 and August 2005.

Properly recording the amount of cash, checks and credit cards makes misappropriation of funds more difficult. In addition, correct balances, separated by form of payment, facilitate finding the cause of overages and shortages.

When recording payments, operators designate cash, check or credit card by entering a number in the check number field for checks, recording their initials in the check number field for credit cards, or leaving the check number field blank for cash. In a typical cashiering environment, cashiers simply press different keys for “cash,” “credit card” or “check.” According to the Information Services (IS) employee most familiar with Solid Waste Management’s software system, most waste management facilities do not accept credit cards and therefore the software was not designed to support their use. IS indicated that any modifications to increase the ease of entering form-of-payment designations would have to be made by the software vendor.

In addition, Scale House Operators have been known to process multiple cash transactions in advance when several customers are waiting in line. They then take the customer’s payment, in whatever form tendered, and issue one of the printed receipts indicating payment in cash. The tender type would not be known in advance, causing composition errors. The Scale House Supervisor indicated that Scale House Operators have been strongly discouraged from ringing up transactions in advance.

In their response to our audit, SWM stated, “*Management can only encourage, more closely monitor the transactions, and then keep a more detailed report of addressing this issue.*”

RECOMMENDATIONS:

- 1. We recommend that Solid Waste Management explore ways to make entry of tender type more user-friendly, including software customization.***
- 2. We recommend that Scale House Operators enter the correct form of payment for all transactions.***

Overages and shortages exceeded the acceptable amount and explanations were poorly documented or absent. We reviewed 104 individual daily totals for the various Scale House Operators and found that 82 (79%) had an overage or shortage. Of those, 42 variances were greater than \$2 and ranged from a low of \$150 short to a high of \$189 over. Over 90 percent of all overages and shortages did not have an explanation for the variance on the daily balance sheet.

When explanations were included on the Over/Short Report, the explanations were usually vague and insufficient to indicate the cause of the overage/shortage. Explanations listed on the Over/Short Report included, “receipt out fee not collected,” “keying error,” “wrong change given,” usually without reference to specific transactions or amounts. In many cases, we were unable to determine if the explanations offered were possibilities or if they were the definite cause of the overage or shortage. In addition, due to the passage of time the Scale House Supervisor had difficulty recalling specifics regarding the variance.

Salt Lake Valley Solid Waste Management Standard Operating Procedure “Daily Cash Balancing,” Section 3.0, states, “*When the scale house operator’s daily report of cash and checks deposited is compared to the computer printout for that deposit the allowable difference is \$2.00 plus or minus.*” The policy goes on to require that variances exceeding \$2.00 be researched. Where the cause of the variances is determined, it should be recorded on the monthly Over/Short Report.

RECOMMENDATIONS:

- 1. We recommend that explanations for overages and shortages be recorded on the daily balance sheet and Over/Short Report, including transaction numbers and amounts.*
- 2. We recommend that, where the cause of the overage or shortage can not be determined, that the steps performed to research the variance be noted on the daily balance sheet. Notations should clearly indicate whether the actual cause was known or whether the explanation given was simply a possibility.*
- 3. We recommend that management at SWM continually emphasize to Scale House Operators that overages and shortages should not exceed \$2 per day.*

The Scale House Operators, Scale House Supervisor and the Fiscal Manager did not always sign the Over/Short Report. Out of the 12 Over/Short Reports examined, seven were not signed by the Scale House Operators or the Scale House Supervisor and ten were not signed by the Fiscal Manager. Approvals found on Over/Short Reports can be seen in Table 1, on page 13.

Approving Signatures Found on the Over/Short Report				
Month	Operators Listed	Operators Signed	Scale House Supervisor Signed	Fiscal Manager Signed
October 2005	6	5	Yes	No
November 2005	5	5	Yes	No
December 2005	5	5	Yes	No
January 2006	5	5	Yes	Yes
February 2006	4	4	Yes	Yes
March 2006	5	None	No	No
April 2006	5	None	No	No
May 2006	7	None	No	No
June 2006	6	None	No	No
July 2006	6	None	No	No
August 2006	6	None	No	No
September 2006	7	None	No	No

Table 1. *The majority of the Over/Short Reports examined did not contain any approving signatures.*

Policy #1062, Section 2.5.3, states, “*All overages and shortages, regardless of the amount, must be recorded and reported daily by the agency on MPF Form [11], CASH OVER/SHORT LOG. When a significant shortage or a pattern of shortages occurs in the accounts of any cashier, the agency shall conduct an investigation of the circumstances and report its findings to the Auditor.*” MPF Form 11 provides an area for the cashier and the supervisor to initial the form. MPF Form 11 can be seen in Attachment B.

SWM’s Over/Short Report complied with the requirements of County Policy, and contained a listing of each operator’s overages and shortages and a place for the signature of the operators, Scale House Supervisor, and Fiscal Manager. However, failure of the operators and management to review the form meant that the operator may not have been aware of overages and shortages as they were recorded on that form. Patterns among the operators may not be apparent to management, and the accuracy of the report is less certain.

Several events may have contributed to the failure of SWM to obtain the required signatures, including problems with power outages, the implementation of credit card acceptance, and the occasional unavailability of a key balancing report.

1) Problems with power outages. A memo from the Scale House Supervisor to the Fiscal Manager, on file with April’s Over/Short Report, stated, “*During April a number of electrical power problems existed. Often an operator would be in the middle*

of a transaction [and] the monitor screen would go blank, the CPU would lock and the whole system had to be rebooted when the power came back on line.” The interruption meant that transactions may have been lost and the accuracy of collections per WasteWorks was compromised. Power problems have since been resolved by installing an additional UPS at each station.

2) Implementation of credit card acceptance. Around the same time, in March 2006, SWM began accepting credit cards. Three credit card machines were installed, one at each scale house. SWM struggled with the implementation, including the impact on daily balancing procedures. We noted several days where a credit card machine was not closed out at the end of the day. This meant that credit card payments accepted on one day were included on a subsequent day's credit card settlement statement.

3) Unavailability of a balancing report. The Weigh Master Summary Report generated by WasteWorks contains the amount that should have been collected by each Scale House Operator, broken down into cash, checks, credit cards and accounts receivable charges. This report is generated by a Scale House Operator at the end of the day and prints inside the SWM office. During 2006 there were several days on which the report failed to print. According to the Scale House Supervisor, this occurred due to improper set up of new Scale House Operator IDs by a computer technician. Once the report fails to print, it cannot be recreated. A Financial Activity Report was substituted, but that report fails to properly account for those transactions started with a deposit made with one Scale House Operator and completed by a second Scale House Operator. This circumstance occurs where the empty weight of the vehicle is unknown and the truck must weigh back in after unloading. The substitute report also does not contain a breakdown of collections by cash, check and credit card. Accurate overages and shortages for each Scale House Operator cannot be calculated. This circumstance occurred on three of the days in our sample and on other days that were not examined.

SWM balancing procedures should also be reviewed to determine if different procedures may better facilitate tracking of overages and shortages. Currently, at the end of their shift, Scale House Operators count the funds collected during the day, fill out a Daily Cash Report, seal the funds in a tamper proof deposit bag and place the deposit bag into the safe. Deposit bags are then picked up by an armored car service the next day and taken to the bank. When creating a deposit, Scale House Operators do not know how much they should have collected per WasteWorks. The following day, the operator's Daily Cash Report is reviewed by a supervisor and an overage or shortage is calculated based on comparison of the amount deposited to the amount shown on the Weigh Master Summary Report. Attachment I includes a flowchart of the transaction flow at SWM.

The advantage of this approach is that the cashier is unable to manipulate the amount deposited in order to balance to the computer. The disadvantage of this approach is that calculation errors may remain undetected until a bank correction is received. During the months examined, we noted 65 differences between deposit amounts as listed

by SWM on the Cash Receipts and Deposit Summary Report and the actual amount deposited, or between the amount initially deposited and subsequent bank corrections. Accounting for bank variances complicates the process of tracking overages and shortages:

- One option might be to allow Scale House Operators to access the Weigh Master Summary Report of collections as they are counting funds. Scale House Operators would then be aware of overages or shortages, and may note and correct calculation errors before the deposit is finalized. This approach is more common throughout the County and is consistent with balancing procedures as they are described in Policy #1062.
- A second option would be to continue the process of blind balancing, but for the supervisor to re-count funds the following day. The supervisor would then combine the funds remitted into one deposit. This approach may reduce the number of bank corrections and simplify the process of accounting for overages and shortages.

In their response to our audit work, SWM stated, “*there were signed over/short reports that were not found and reported by the auditors. We have obtained all the required signatures on all the over/short reports, including through April 2007.*” We commend SWM for obtaining signatures on the older reports; however the action does not impact the original finding.

ACTION TAKEN:

SWM provided copies of Over/Short reports up through April 2007, which contained the required approving signatures.

RECOMMENDATIONS:

- 1. We recommend that SWM work with the WasteWorks software vendor to understand and resolve data loss related to recovery of the Weigh Master Summary Report in the event of printing problems.*
- 2. We recommend that SWM review existing balancing procedures to reduce bank errors and increase the accuracy of deposit records.*

The Daily Cash Report was not always signed by the supervisor. An individual Daily Cash Report is completed at the end of the shift by each Scale House Operator. The report shows the total currency, checks, and credit cards collected during the shift. The report also shows the daily funds collected per WasteWorks and the over/short amount. At the bottom of the form there is an area for the operator and supervisor to sign indicating their review.

During our review we examined 104 Daily Cash Reports. We found that the Scale House Supervisor did not sign 32 (31%) of the forms. Five of these forms were prepared when the Scale House Supervisor collected funds in the scale house. (The issue of the supervisor’s Daily Cash Report not being reviewed by a separate individual is discussed in a separate finding of this report.) We also found that only one (1%) of the 104 Daily Cash Reports was not signed by the Scale House Operator.

Signing the form is an important control to officially document the review of each Scale House Operator’s daily collections. It is unlikely that the supervisor did not at least glance at the Daily Cash Reports because an over/short amount could only be determined by using the bank deposit total recorded on the form by the operator. An exception to this conclusion may be that the supervisor obtained the deposit total from the deposit slip and failed to review the Daily Cash Report.

RECOMMENDATION:

We recommend that the Scale House Operator and Scale House Supervisor review and sign each Daily Cash Report.

Voided transactions were not handled according to Countywide policy.

There were 269 voids completed on the days in our sample. A printed receipt was not found for 24 (8.9%) of those voids. The operator who initiated the void had not signed 229 (93.4%) out of 245 voided receipts that had been retained. In addition, 68 (27.7 %) had not been signed by a supervisor. Finally, 107 (43.7 %) had not been marked “void.” The results of our examination of voided transactions can be seen in Table 2, below.

Analysis of Voided Transactions											
All Voids			Retained		Cashier Signed		Supervisor Approval			Marked "Void"	
Cashier	Qty	\$ Amount	No	Yes	No	Yes	No	/ Mark	Signed	No	Yes
Unknown	22	\$9,705	0	22	20	2	20	0	2	10	12
Cashier 1	27	\$5,395	5	22	22	0	2	0	20	3	19
Scalehouse Supervisor ¹	17	\$7,365	2	15	2	13	0	6	9	14	1
Cashier 2	53	\$15,755	0	53	52	1	14	1	38	0	53
Cashier 3	4	\$163	0	4	4	0	4	0	0	0	4
Cashier 4	10	\$168	0	10	10	0	10	0	0	0	10
Cashier 5	18	\$425	5	13	13	0	6	0	7	13	0
Cashier 6	72	\$13,146	8	64	64	0	9	0	55	60	4
Cashier 7	15	\$1,018	1	14	14	0	1	0	13	0	14
Cashier 8	31	\$1,422	3	28	28	0	2	5	21	7	21
Totals	269	\$54,563	24	245	229	16	68	12	165	107	138

Table 2. *Twenty-eight percent of voided receipts were not approved by a supervisor.*

Policy #1062, Section 3.5.2.2, states, “*When it is necessary to void a receipt, all copies will be marked ‘void,’ including the original (customer) copy, if available. The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void. The voided receipts will be filed in proper numerical sequence and kept for audit purposes.*” The improper handling of voids, including not obtaining proper approval, creates a situation wherein funds could be diverted to personal use. Solid Waste Management has adopted a Standard Operating Procedure entitled “Scalehouse-Voiding Receipts” that does *not* include instructions to write “void” on the receipt or for the Scale House Operator to sign the receipt. This policy should be amended to achieve consistency with Countywide Policy.

The Scale House Supervisor also indicated that a missing void receipt may be the result of an incomplete weigh-back transaction. Where the weight of the truck is not known, the truck is weighed before and after dumping the load. The tonnage charged is the difference of the weigh-in and weigh-out amounts. Occasionally, a load is refused after weigh-in and the driver fails to weigh-out. In these cases, the transaction is voided at the end of the day and a printed copy may not be retained. This circumstance reportedly occurs infrequently, however. It is likely that the majority of the missing void receipts were simply inadvertently discarded.

Although not required by Countywide policy, certain agencies, such as the Library, have implemented the use of a void form. A sample void form can be seen as Attachment C. The form contains a space for transaction or ticket number, date, cashier name, reason for the void and the supervisor’s and cashier’s signatures. Thus, the form helps to ensure that each element required by policy is recorded for each voided transaction. The receipt itself is then marked “void” and stapled to the form.

RECOMMENDATIONS:

- 1. We recommend that when it is necessary to void a receipt, all copies be marked “void,” including the original (customer) copy, if available.***
- 2. We recommend that a supervisor not involved with the transaction review and sign the voided receipt along with the Scale House Operator who initiated the void.***
- 3. We recommend that the voided receipts be filed in proper numerical sequence and kept for audit purposes with the daily balancing documentation.***

Explanations for voided transactions were sometimes vague or were missing. When a void is completed within WasteWorks, the transaction number is removed from the database and a record of the void is logged and stored within a daily text file. The text file contains the date, the ticket number, the operator’s name and the reason for the

void as entered by the operator. There was a total of 2,013 voided transactions during October 1, 2005 to September 30, 2006. We analyzed these transactions by operator, amount, and reason for the void. We found that each operator’s proportion of the voided transactions was consistent with their proportion of all transactions. No one operator was completing an unusual number of voids, which, if present, might indicate fraud or the need for additional training. Overall, however, we found that the reason for the void entered into WasteWorks was often vague. Table 3, below, lists voids by reason indicated.

Voided Transactions by Reason Given		
<i>Reason Recorded in WasteWorks</i>	Qty	Percentage
<i>Wrong material code</i>	509	25%
<i>Wrong weight</i>	274	14%
<i>Wrong tender type or deposit amount</i>	235	12%
<i>Wrong account</i>	225	11%
<i>Miscellaneous and/or unclear explanations</i>	150	7%
<i>Customer is going to another site or changed their mind</i>	132	7%
<i>"No Sale"/"Oops"/ "Redo"/"Wrong"</i>	111	6%
<i>Customer's credit card denied, They do not have enough money, or Not enough change is available</i>	68	3%
<i>Problems with weigh-backs</i>	59	3%
<i>Wrong vehicle or roll off number</i>	41	2%
<i>Operator cited a keying error (i.e. "too many 2s")</i>	40	2%
<i>Computer or credit card machine problems</i>	34	2%
<i>Customer is going to ET Technologies or was denied by ET Technologies</i>	33	2%
<i>Customer unable to unload or did not unload</i>	30	1%
<i>No explanation given</i>	23	1%
<i>Wrong set-up</i>	21	1%
<i>Several loads on one ticket or one check</i>	12	1%
<i>Transaction entered twice</i>	10	0%
<i>Out of compost or mulch</i>	6	0%
Total Voided Transactions	2,013	100%

Table 3. The explanation for at least 284 voided transactions, highlighted above, was vague or missing.

The WasteWorks field used to record explanations limits the amount of text that can be entered, sometimes cutting off the operator’s explanation. Solid Waste Management has tried to work around the space limitation. SWM Standard Operating Procedure, “Scale-house Voiding Receipts” describes a coding system where Scale House Operators simply enter “A”, “B” or “C” in the field provided. The letters each

represent broad categories of the most common reasons for voided transactions. We did not find any transactions within the data that were coded “A,” “B” or “C.” It may be that Scale House Operators found memorization of the broad categories unwieldy. A better solution might be to approach the WasteWorks software vendor to determine if the field size might be increased to allow more explanation. We also recommend that the Scale House Supervisor note poor explanations and encourage better documentation from the Scale House Operator.

RECOMMENDATIONS:

- 1. We recommend that the Scale House Operator who initiates the void record the reason for the void and its resolution on the front of the receipt and in WasteWorks.*
- 2. We recommend that the Scale House Supervisor work with Scale House Operators to improve the documented explanations.*
- 3. We recommend that Solid Waste Management explore the possibility of expanding the field-size limitations within WasteWorks to allow for more explanation.*

The explanation for fee-exempt and non-fee transactions was not always documented and management did not always indicate review of these transactions with initials. Salt Lake Valley Solid Waste Management, Standard Operating Procedure, “Fee Exempt and Non-Fee Transactions”, Section 1.1, states, “*Non-fee transactions are when loads of waste are admitted to the landfill when no disposal fee is charged.*” An example of a non-fee transaction is a personal load brought by a landfill employee. Landfill employees are permitted to dispose of materials from their own home without charge. Section 2.0, states, “*Fee-exempt (transactions) are when loads of waste are admitted to the landfill (and) no disposal fee is charged.*” An example of fee exempt load is when a charitable organization, on the approved list, disposes waste.

As mentioned before, we examined a sample of 37 days on which cash was collected at SWM. We examined 107 non-fee and fee-exempt transactions for 34 days in the sample. We were unable to examine the non-fee and fee-exempt transactions for three of the sample days due to the daily detail report not printing. However, we were able to determine by using ACL that a total of 11 non-fee and fee-exempt transactions occurred on those days. The 11 transactions would not have been reviewed by the supervisor due to the report not printing.

Table 4, on page 20, shows the Scale House Supervisor initialed 9 of the 107 transactions (8%) and placed a checkmark next to 29 transactions (27%) on the Daily Detail Report.

Fee-Exempt and Non-Fee Transactions in Sample		
Supervisor Approval	Transaction Count	Percent of Transaction Count
"Clean up holiday"*	1	.93%
"Employee"*	1	.93%
Supervisor reviewed own	1	.93%
"Ok"*	2	1.87%
Yes - Initialed	9	8.41%
Checkmark	29	27.10%
None	64	59.81%
Total	107	100%

*hand-written note by supervisor

Table 4. Only eight percent of fee-exempt and non-fee transactions were initialed by the supervisor.

Salt Lake Valley Solid Waste Management, Standard Operating Procedure, "Fee Exempt and Non-Fee Transactions, Section 4.1, states, "Daily the Scalehouse Supervisor will review the Daily Detail Report looking especially for Non-fee, Fee-exempt transactions." We found that 64 (60%) of the 107 transactions on the Ticket Report on file with the deposit documentation were not reviewed by the supervisor.

Section 3.0 goes on to state, "The scalehouse operator will inquire to determine if the load of waste is from an approved no fee organization or from an employee's home. The scalehouse operator will then process the load, taking care to post the transaction to the no fee account. In the reference field they will enter a short description of the load's origin." SWM management also requires Scale House Operators to enter the employee's name in the reference field for non-fee transactions, even though the policy does not specifically state this requirement.

We found that 36 of the 107 transactions (34%) did not have any explanation in the reference column. Of those 36 transactions, 86% did not have supervisor approval. Table 5, on page 21, shows the results of our examination of the reference column for the 107 transactions.

Reference Column for Non-Fee and Fee-Exempt Transactions in Sample				
Reason (Reference)	Transaction Count	Percent of Transaction Count	# of Transactions with No Approval	Percent of No Approval Transaction Count
None	36	33.64%	31	86.11%
First Name	20	18.62%	6	30.00%
Salvation [Army]	16	14.93%	9	56.25%
Employee	12	11.20%	5	41.67%
Christmas trees	8	7.46%	8	100.00%
Odyssey [House]	2	1.86%	1	50.00%
Catholic	1	0.93%	1	100.00%
Electron	1	0.93%	0	0.00%
Reference	1	0.93%	0	0.00%
TB	1	0.93%	1	100.00%
barley	1	0.93%	0	0.00%
brewery	1	0.93%	1	100.00%
cert.48	1	0.93%	1	100.00%
elect	1	0.93%	0	0.00%
none (handwritten "clean up holiday")	1	0.93%	0	0.00%
none (handwritten "employee")	1	0.93%	0	0.00%
realms	1	0.93%	0	0.00%
sl mission	1	0.93%	0	0.00%
voucher	1	0.93%	0	0.00%
Totals	107	100%	64	59.81%

Table 5. *Thirty-four percent of the fee-exempt and non-fee transactions did not have any explanation in the reference column.*

We were also able to examine the fee-exempt and non-fee transactions in greater detail by using ACL. During the time period October 1, 2005, to September 30, 2006, there were 1,164 of these types of transactions. As shown on Table 6, on page 22, we found that 274 of the transactions (24%) did not have any information in the reference column.

Analysis of Reference Column in Larger ACL Sample		
Explanation in Reference Column in Waste Works	Quantity	Percentage
No Explanation	274	23.54%
Non-Profit Organization Name	223	19.16%
Test Wizard Computer	148	12.72%
First Name	169	14.5%
Christmas Tree	123	10.57%
Contained Information but did not explain sufficiently	124	10.65%
Employee	91	7.82%
Computer or Electronic	11	.95%
Transaction miscoded	1	.09%
Totals	1164	100.00%

Table 6. *The reference column was not completed or had an inadequate explanation for 398 (34%) of the 1,164 non-fee and fee exempt transactions.*

When reviewing the non-fee and fee-exempt transactions in the larger ACL sample, we found about 11% of the transactions did not contain an adequate explanation. It is important for the Scale House Operators to include a thorough explanation in the reference column so the reason for not collecting the normal fee is clear. A clear explanation in the reference column and a documented supervisor review will increase the control environment and decrease the opportunity for funds to be mishandled.

An additional control that SWM could implement to track non-fee and fee-exempt transactions is an “Exempt Transaction Log.” A sample Exempt Transaction Log can be seen as Attachment D. The operator would keep a log that would include the date, time, transaction type (employee-trash, employee-compost, non-profit trash, etc.), customer signature, Scale House Operator signature, and supervisor initials. When the supervisor is reviewing the deposit, he/she can initial next to each transaction on the “Exempt Transaction Log” and compare the transactions on the log to the Daily Detail Report to ensure that all exempt transactions are accounted for and an adequate explanation is included in the reference field. Another organization in the County that uses this type of log is the Salt Palace Parking. They have found that this type of log is an additional control for no-fee transactions.

RECOMMENDATIONS:

- 1. We recommend that SWM use an “Exempt Transaction Log” to track non-fee and fee-exempt transactions.*
- 2. We recommend that the Scale House Operators use the reference field in WasteWorks to provide a thorough explanation of the fee-exempt and non-fee transactions.*

3. We recommend that the Scale House Supervisor compare the exempt transactions on the Daily Detail Report to the “Exempt Transaction Log” to ensure that each exempt transaction is reviewed and clearly explained. The supervisor can initial next to each transaction on the “Exempt Transaction Log” to indicate their review and understanding of each transaction.

4. We recommend that SWM update the “Fee-Exempt and Non-Fee Transaction” Standard Operating Procedure to include the use of an “Exempt Transaction Log.”

The correct fee was not charged on some transactions involving vehicles with roll-off containers. We found 27 transactions, shown in Table 7, below, in which no fee was charged when normally there should have been a charge according to the Material File Listing in WasteWorks.

Transactions not Charged Correctly				
Material Type	# of Transactions	WasteWorks Material File Listing Rate	WasteWorks Material File Listing-Minimum Charge	Actual Amount Charged
MSW COMM/TS	14	\$26.70/Ton	\$8.00/Load	\$0
MSW COMM	11	\$17.75/Ton	\$8.00/Load	\$0
SPC SPEC	1	\$64.25/Ton	\$8.00/Load	\$0
WOOD COMM	1	\$16.00/Ton	\$6.00/Load	\$0

Table 7. At least 27 roll-off trucks were not charged when dumping at SWM.

Most roll-off trucks that come to SWM have an empty weight, or tare weight, stored in WasteWorks. In addition, each roll-off container has a letter combination painted on the side of it to indicate the approximate weight of the container. When the truck arrives at the landfill or transfer station with a load to dump, the Scale House Operator enters the truck’s license plate number and letter code on the roll-off container into WasteWorks. WasteWorks pulls the tare weight of the truck and container stored in the database and enters it into the “weight-in” field. The actual weight of the truck and load is taken by the scale at the scale house. This weight is entered into the “weight-out” field. Occasionally, the actual weight of the truck is equal to the tare weight and a \$0 charge ticket will be issued.

This situation may occur because the roll-off container may not have much in it to dump. If the truck has more fuel in it than when the tare weight was taken, the truck will weigh more and it may cause the difference in the tare weight and actual weight to be small. The variance could also be caused by the roll-off container tare weight being an approximate weight.

SWM management explained that if a \$0 ticket prints when a fee normally would be charged, the Scale House Operator should require the truck to come back and re-weigh after the load is dumped. Then an exact “weight-in” and “weight-out” can be taken to determine the amount that is to be charged. The customer should be charged the material rate times the difference in the “weight-in” and “weight-out.” If this amount is less than \$8, then the customer should be charged the \$8 minimum fee per load.

SWM management explained that the Scale House Operators often do not notice that a \$0 ticket prints due to long lines and repetitious transactions. Management agreed that the Scale House Operators need to ensure that customers are being charged the correct amount for each transaction in order to prevent loss of revenue.

RECOMMENDATIONS:

- 1. We recommend that Scale House Operators ensure that the minimum fee is charged for loads that contain minimal weight.*
- 2. We recommend that the Scale House Supervisor occasionally spot check transactions that include roll-off containers to ensure that the correct fee is charged.*

Approximately 43 transactions occurred in which the Health, City, and County fees were not charged correctly. SWM collects a health tonnage fee of 75 cents per ton for commercial solid waste accepted at the facility as required in Health Regulation #1, Solid Waste Management and Permitting. In addition, \$3.50 of the commercial tipping fee, divided equally, goes to Salt Lake City and Salt Lake County for landfill related programs and activities that will promote the life of the landfill and reduce or divert waste material from being disposed of at the landfill.

We did not perform an exhaustive search for transactions in which the fees were not charged correctly. However, by running some tests using ACL, we found eight transactions that did not charge the health fee or the city/county fee. Table 8, on page 25, shows these transactions.

Transactions not Charged the Health, City, and County Fees					
Date	Ticket #	Material Type	Waste Tons Disposed in Transaction	Health Fee \$\$.75/Ton	City, County Fee \$3.50/Ton
10/03/2005	210050	MSW COM/TS	.92	\$.69	\$3.22
10/18/2005	512067	MSW COMM	1.23	\$.92	\$4.31
11/05/2005	522776	MSW COMM	.2	\$.15	\$.70
02/01/2006	554461	MSW COMM	3.45	\$2.59	\$12.08
02/24/2006	562086	MSW COMM	1.72	\$1.29	\$6.02
03/31/2006	576335	MSW COMM	8.93	\$6.70	\$31.26
05/12/2006	605702	MSW COMM	1.59	\$1.19	\$5.57
08/22/2006	242594	MSW COM-TS	12.3	\$9.23	\$43.05
			Total	\$22.76	\$106.21

Table 8. *At least eight transactions were not charged the health, city, and county fees.*

The table shows that approximately \$129.00 in fees was not collected for these transactions. Although this amount is minimal, the issue here is that management was not aware that the fees were not collected. Management could not explain the reason for the fees not being charged other than an occasional glitch occurring in the WasteWorks software program. Management explained to us that the Scale House Operators do not have the ability to change fees within the system. Therefore, this problem could not be pinpointed as an operator error.

We found an additional 35 transactions in which approximately \$80 of city/county fees were not charged. The health fees were charged correctly for these 35 transactions. The reason the city/county fees were not collected for these 35 transactions was due to operators coding the transactions to the incorrect account. The transactions were coded to Account 100, Private Cash Account, the account used when citizens bring waste from their home to dispose of at the landfill. The material code charged to designate commercial waste, MSW COMM, was correct.

Management explained that the computer was incorrectly set up to default to the wrong account for these transactions. The account that the transactions should have been charged to was Account 120, Commercial Cash. The reason the city/county fee was not charged was due to operators coding the transactions to the private cash account, which does not require the payment of the city/county fee. However, because commercial waste was disposed, the city/county fee should have been charged. Therefore, by changing the default account to Commercial Cash, the appropriate city/county fee will be charged correctly. Management stated that WasteWorks would be changed so that these types of transactions would default to the correct account and thus, the correct fees charged.

RECOMMENDATIONS:

- 1. We recommend that management set WasteWorks to default to the Commercial Account when commercial waste is disposed of at the landfill and transfer station.*
- 2. We recommend that management implement controls to ensure that the health, city, and county fees are being charged on the required transactions.*

Approximately 174 transactions were coded to the wrong material type and 69 transactions were coded to the wrong customer account. SWM has a Material File Listing in WasteWorks that lists all the material codes that are used on transactions that occur at the landfill or transfer station. As part of our testing of transactions in ACL, we compared the material code charged on the transactions to the customer account to determine whether it was coded correctly.

We found approximately 174 transactions in which the incorrect material code was used for the type of waste that the customer disposed of at the landfill site or transfer station. Table 9, below, summarizes the material codes that were used incorrectly and the material codes that should have been charged.

Transactions with Material Code Errors		
# of Transactions	Incorrect Material Code	Correct Material Code
1	PVT SINGLE	MSW COMM
4	MSW COM-TS	MSW COMM
4	WOOD SINGL	WOOD COMM
5	MSW COM/TS	MSW COMM
6	MSW MUNIC	MSW COMM
20	MSW COMM	MSW COM/TS
25	MSW COM-TS	MSW COM/TS
51	MSW COMM	MSW COM-TS
58	MSW COM/TS	MSW COM-TS
174		

Table 9. Scale House Operators did not enter the correct material code on at least 174 transactions.

Management explained that vehicles for the same customer account deliver waste to both the landfill site and the transfer station. Most of these vehicles weights are stored in the WasteWorks database by using the license plate number as the identifier. When the vehicle arrives at the transfer station the operator enters the vehicle’s license plate number with “TS” at the end of the number. By entering the TS at the end of the license number, the computer automatically brings up the account number and material code that will be charged. Management explained that the operators will occasionally forget to place the TS at the end of the license number. This causes the material code to be recorded incorrectly, and thus the customer is charged the incorrect amount.

However, not all the miscoded material codes were due to the problem with entering the license plate number incorrectly. Other miscoding errors occurred simply due to the Scale House Operator selecting the wrong material code for the transaction.

In addition, we found 69 transactions that were coded to the wrong customer account. Table 10, below, shows the miscoding:

Transactions Coded to the Incorrect Customer Account		
Incorrect Account #	Correct Account #	# of transactions
0, none recorded	120, Commercial Cash	12
120, Commercial Cash	100, Private Cash	23
100, Private Cash	120, Commercial Cash	34
	Total	69

Table 10. *Scale House Operators coded transactions incorrectly to the Commercial Cash Account and the Private Cash Account.*

As shown above, 12 of the transactions were not coded to a customer account. These transactions should have been coded to Account 120, Commercial Cash. The commercial cash account is used to record transactions for businesses that do not have a credit account with SWM. Twenty-three transactions were recorded to Account 120, Commercial Cash, and should have been recorded to Account 100, Private Cash. The Private Cash account is used to record citizen transactions. Thirty-four transactions were recorded to Account 100, Private Cash, but should have been coded to Account 120, Commercial Cash, because the material code was MSW COMM, which is code for commercial waste. The 69 miscoded transactions were due to operator error in selecting the account number to charge. The 69 errors did not affect the amount of funds that were collected, however, management reports that summarize the activity in these accounts will be incorrect.

RECOMMENDATIONS:

- 1. We recommend that Scale House Operators receive additional training on account and material coding for transactions in WasteWorks.*
- 2. We recommend that management review transactions to ensure that account and material codes are recorded correctly.*

Checks received for recycled products and miscellaneous items were not deposited within three days of receipt. SWM receives checks from recycling companies for the products that are recycled from the landfill. Checks are also received for miscellaneous items such as vending commissions, gas rights, and ET Technology. These checks are included as “other deposits” on the monthly Cash Receipts and Deposit

Summary that is submitted to the Auditor's Office. Cash amounts were included in these deposits for employees reimbursing the County for personal calls on their cell phones.

We examined "other deposits" that occurred during the time period October 2005 to September 2006. During this time frame, there were 77 checks deposited that totaled \$674,847. In addition, there were three cell phone reimbursement deposits that totaled \$70. The checks were not date stamped when they were received at the landfill. Thus, it was difficult to determine by examining the check copies, whether the checks were deposited timely as is required by Utah Code, Section 51-4-2, which states, "*public funds [shall be deposited] daily whenever practicable, but not later than three days after receipt.*"

We computed the number of days between the date printed on the check by the vendor and the deposit slip date. We found that the longest time between the printed check date and the deposit date was 279 days. In contrast, the shortest amount of time between the printed check date and the deposit slip date was one day. Most of the checks came from local vendors. Therefore, we determined that most of the checks would have been received in the mail by SWM within about 10 days, as long as the vendor mailed them timely. These 10 days allowed for final processing at the vendor and for the time it takes for the check to arrive in the mail.

To determine an average number of days that it took to deposit the check, we eliminated all checks that were deposited within 10 days of the printed check date. We found for checks above the 10 day range, it took SWM approximately 20 days after the check date to deposit the check. We realize that some of the delay may have been due to vendor processing, however, since SWM only processed between one and three "other deposits" a month, it is reasonable to conclude that some checks were definitely being held more than 3 days.

We did find that once the deposit slip was completed, the deposits were received at the bank within three days. However, as mentioned before, the Statute requires funds to be deposited no later than 3 days after *receipt*. The Fiscal Manager stated that to save time and be more efficient, he waits and deposits a batch of checks rather than completing a deposit each time one check is received. Even though the checks are kept in a locked cabinet, the security risk increases as the checks are held for longer periods of time.

RECOMMENDATION:

We recommend that all funds received by SWM be deposited no later than three days after receipt.

Checks were accepted without recording the patron's driver license number on the check. During the unannounced cash count we found checks that had been

accepted without recording a valid identification number. Countywide Policy #1301, "Acceptance of Checks," states, "*a valid form of ID (driver's license, Utah identification card or check guarantee card) be obtained prior to acceptance of checks.*" Section 4.2 continues, "*When a valid form of identification is provided, the following information should be documented on the front of the check: expiration date of identification card and either account number, guarantee number or driver's identification number.*"

We examined checks presented for insufficient funds during October 2005 to September 2006. Overall, 39 checks were returned by the bank, totaling \$18,986. Of that amount, 14 checks totaling \$17,089 were successfully re-deposited by the Treasurer's Office. The majority of the re-deposited checks, 9 totaling \$17,009, were business, not personal checks. By the end of the sample period 18 personal checks totaling \$622.15 remained uncollected.

The Scale House Operators do not record identification information on checks they receive due to the concern about causing delays and long lines. Greater compliance and efficiency may be achieved by posting notice instructing clients to have valid identification ready. Frequent Landfill users could also be instructed to print their driver's license number on the face of the check prior to arriving at the window.

At the time of our unannounced count the majority of checks received were from businesses, not individuals. The person presenting the check may be an employee of the company. The employee's drivers license number may be of limited value. Solid Waste Management should particularly stress the importance of recording driver's license numbers on all *personal* checks.

Properly recorded identification information aids collection efforts in the event that a check is presented for insufficient funds.

RECOMMENDATIONS:

- 1. We recommend that valid identification information be recorded on personal checks before they are accepted from patrons.***
- 2. We recommend that SWM consider posting a sign instructing clients to have valid identification ready.***

ACCOUNTS RECEIVABLE

Organizations establish credit with Solid Waste Management by posting a payment bond equal to three times the projected average monthly charges or \$1,000, whichever is greater. The credit limit for each account is established at 80 percent of the bond amount. If the account reaches the credit limit, management can refuse additional services until the account is brought within terms or the face value of the bond is

increased. SWM can also call on the bond to recover any delinquent charges. Organizations that do not want to post a bond have the option of pre-paying for use of the Landfill.

During October 2005 to September 2006 accounts receivable sales totaled \$11 million. Payments on account totaled \$11.5 million. \$3.2 million of that amount was paid through journal entries debiting various County organizations such as Parks and Recreation. The remaining amount was paid by outside entities that mailed in payment by check. Finally, 543 adjustments to accounts receivable were completed, with a net impact of -\$54,880.

- **Thirteen to 22 percent of all accounts receivable balances were past due.**
- **Four accounts exceeded their established credit limit by \$531 to \$63,230.**
- **Four customers that pre-pay for use of the landfill accrued charges that exceeded the amount they had on deposit by a range of \$11 to \$341.**
- **Supervisory review of accounts receivable adjustments was not documented.**
- **Accounts receivable transactions did not always post correctly.**
- **The Scale House Supervisor adjusted his own transactions.**
- **Late charges were not consistently applied.**
- **Documentation of accounts receivable deposits could be improved.**

Thirteen to 22 percent of all accounts receivable balances were past due. We reviewed the aging report for August, September and October 2006 and found the percentage dollar amount owed less than 30 days ranged from 77.8 to 87.5 percent. Table 11, on page 31, contains accounts receivable balances for that time frame.

Accounts Receivable Aging Report Balances					
Date	0-30	31-60	61-90	Over 90	Total
8/31/2006	\$950,891	\$203,171	\$62,297	\$6,315	\$ 1,222,674
	77.8%	16.6%	5.1%	0.5%	100.0%
9/30/2006	\$860,483	\$82,452	\$40,039	\$986	\$983,961
	87.5%	8.4%	4.1%	0.1%	100.0%
10/31/2006	\$813,720	\$49,828	\$46,723	\$41,831	\$952,102
	85.5%	5.2%	4.9%	4.4%	100.0%

Table 11. The percentage dollar amount owed less than 30 days ranged from 77.8 to 87.5 percent.

SWM Standard Operating Procedures, “Credit Policy for Open Accounts,” Section 3.0, states, “*Terms are ‘net 30 days’ which means all charges in one month are due in full the following month.*” During previous audits of SWM, released in October 1999 and in August 2005, we reviewed aging reports with 97 percent and 94 percent, respectively, of accounts receivable balances less than 30 days. The increase in amounts outstanding more than 30 days may be due to the different time of year in which the previous audits were completed. The previous audits cited aging reports from April and May, in contrast to Table 11, above, which cites aging reports from the fall. The landfill is busiest during the summer months. The higher volume charges from the summer may be reflected on the fall aging reports. The volume may decrease the attention that can be paid to collecting individual accounts. Nevertheless, every effort should be made to collect balances in a timely manner. When receivables remain unpaid SWM loses the opportunity to earn interest on the amount outstanding. Accounts are also more likely to exceed their credit limit and bond amount, increasing the risk of delinquencies.

After 30 days, accounts are charged a late fee of 1.5 percent per month and weekly phone calls are made. At 60 days, the account can be frozen so that new charges are not incurred. At 90 days the bond may be called on. The Scale House Supervisor tracks and manages accounts receivable. The October 2006 accounts receivable report showed a total of 41 accounts with balances outstanding more than 30 days. Past due accounts usually had a short, hand-written notation on the aging report indicating that a check had been received or that phone contact had been made and the date of the activity. No collection letters are currently sent, but invoices continue to generate.

In December 2006, the Salt Lake County Council adopted a new Countywide Policy #1220, “Management of Accounts Receivable and Bad Debt Collection.” One provision of the new policy is the mailing of collection letters. Section 4.8.1 states, “*Payment Due is \$200 or Greater. Make telephone contact and get promise to pay. Mail the first Dunning Letter and attach a copy of the original invoice or billing document.*” This policy was adopted by the County after the period selected for our

review. However, management should become familiar with its requirements and consider the use of letters as an additional collection tool.

RECOMMENDATION:

We recommend that Solid Waste Management implement the use of collection letters to comply with Countywide Policy and to bolster its current collection efforts.

Four accounts exceeded their established credit limit by \$531 to \$63,230. We compared account balances per the accounts receivable aging report for the months of August, September and/or October 2006 to the credit limit (80 percent of the bond amount) for each account. We found four charge accounts that incurred charges in excess of the credit limit, by amounts ranging from \$531 to \$63,230. Table 12, below, contains the credit limit and account balances for those accounts.

Accounts that Exceeded the Credit Limit							
Acct #	Credit Limit	August 2006		September 2006		October 2006	
		Account Balance	-Under/ Over Credit Limit	Account Balance	-Under/ Over Credit Limit	Account Balance	-Under/ Over Credit Limit
1715	\$80,000	\$138,819	\$58,819	\$120,385	\$40,385	\$143,230	\$63,230
1304	\$2,400	\$2,931	\$531	\$141	-\$2,259	\$143	-\$2,257
2201	\$800	\$6,700	\$5,900	\$2,524	\$1,724	\$4,495	\$3,695
1922	\$3,200	-\$677	-\$3,877	\$4,744	\$1,544	\$5,470	\$2,270

Table 12. *Four accounts exceeded the credit limit during August, September or October.*

- **Account 1715-** Exceeded its credit limit by a range of \$40,385 to \$63,230 during August through October 2006. There was a collection note indicating that SWM staff had been in recent contact to collect payment and a check in the amount of \$15,000 was received in mid November. However, after that payment the account was still above the credit limit.
- **Account 1304-** Exceeded its credit limit by \$531 in August 2006. The Scale House Supervisor noted that by October, the account was within the credit limit. However, most of the \$143 still outstanding at that time was beyond 60 and 90 days which requires additional collection activity. There were no collection notes on file documenting phone or other contact during November.

- **Account 2201-** Exceeded its credit limit by a range of \$1,724 to \$5,900 during August through October 2006. Notations regarding account 2201 indicated the account had been incorrectly billed during September. The September billing problems aside, the average level of charges incurred indicate that the bond amount is too low and should be reviewed and possibly increased.
- **Account 1922-** No collection activity was made on this account during November because a check in the amount of \$5,000 was received that month, bringing the account well within its credit limit.

When accounts exceed the credit limit, SWM becomes subject to the risk of delinquent accounts.

RECOMMENDATION:

We recommend that Solid Waste Management work to bring accounts within the established credit limit, including suspending additional charges until the account is paid down.

Four customers that pre-pay for use of the landfill accrued charges that exceeded the amount they had on deposit by a range of \$11 to \$341. Organizations that do not want to post a bond have the option of pre-paying for use of the Landfill. During our review, we noted four prepay accounts that exceeded the amount on deposit, by \$11 to \$341 during August, September or October. Table 13, below, contains the account balances for those accounts.

Accounts that Exceeded the Pre-paid Deposit Amount						
Acct #	August 2006		September 2006		October 2006	
	Account Balance	Under/Over Deposit Amt	Account Balance	Under/Over Deposit Amt	Account Balance	Under/Over Deposit Amt
2205	-\$6,769	under	-\$4,865	under	\$341	over
1708	-\$185	under	\$284	over	-\$242	under
516	-\$171	under	\$11	over	-\$221	under
615	\$150	over	-\$51	under	-\$178	under

Table 13. *Four pre-pay accounts exceeded the amount on deposit during August, September or October.*

The Scale House Supervisor indicated that he contacts clients that pre-pay when the amount on deposit is around \$100. Average monthly charges for these accounts

ranged from \$105 to \$3,734. Therefore, it may be more effective to contact clients with a higher average volume prior to reaching \$100 on deposit.

The Scale House Supervisor explained that when the system reflects no deposit amount remaining, it may be due to a check that has been received but not yet posted in the system. However, by policy, checks should not be held more than three days after receipt and should be applied to the customer's account as soon as possible.

When accounts exceed the amount they have on deposit, SWM becomes subject to the risk of delinquent accounts.

RECOMMENDATION:

We recommend that pre-pay accounts be closely monitored and clients be contacted to avoid incurring charges.

Supervisory review of accounts receivable adjustments was not documented. There were 543 adjustments made during September 2005 to October 2006, with a net impact of -\$54,880. Adjustments are entered by the Fiscal Manager (282), the Scale House Supervisor (246) and the Accounting Specialist (15). We reviewed all accounts with adjustments totaling more than \$5,000 during the sample period. The purpose and amount of each adjustment was reviewed for reasonableness.

We also selected a random sample of adjustments and reviewed the documentation on file for compliance with SWM Standard Operating Procedure "A/R Adjustments," Section 3.1, which states, "*Print a copy of the transaction to be adjusted. On the face of the printed copy note the reason for the adjustment, the date of the adjustment and who made the adjustment.*" The adjustment is then to be entered into WasteWorks and a detailed report is to be printed and kept on file.

During our review, we found copies of adjusting transactions, along with re-prints of the original transaction, if applicable, on file at SWM. In addition, a ticket report summarizing the batch of adjustments had been printed and filed. In most cases, a brief explanation, the initials of the operator, and the date of the adjustment(s) was documented.

At times, the explanation for a series of related adjustments (e.g. 10 adjustments reversing transactions charged to one account and re-charging them to a different account) was usually written on just one of the printed transactions. Which transactions the written explanation covered was not always immediately apparent. In addition, we were unable to locate copies of four adjustments selected for review. It may be that the adjustments were misfiled or lost. In each case, the transaction itself appeared to be reasonable and appropriate.

We also noted three transactions that were adjusted more than once. For instance, transaction number 557114 was reversed once and recharged under a different account on March 20, 2006 and a second time on March 24, 2006. Transaction 244302 was reversed twice and recharged twice. Finally, transaction 614657 was reversed twice and recharged once. The Fiscal Manager reviewed these transactions and agreed that they appeared to have been erroneously duplicated, but noted that the errors did not materially impact accounts receivable.

The Fiscal Manager prints a detailed report of adjustments at month end. He stated that he reviews the report and then researches any adjustments he finds are unusual. This review is not documented with a date or signature. There is no specific dollar amount that triggers a review for adjustments. Copies of the individual adjustments are neither routinely reviewed by a second party nor compared to the adjustment report to ensure that the proper documentation is on file.

SWM should consider adopting an adjustment form which contains a place for the net impact of the adjustment (or series of adjustments completed for the same purpose), the date, approving initials and the reason for the adjustment. Adjustments could then be attached to that form. Personnel should compare the report to the adjustments on file to ensure proper documentation. Review of the monthly adjustment report should include a signature. More specific guidelines for adjustments requiring a supervisory signature, such as whenever balances are written off or adjustments that exceed a certain dollar threshold should be considered. A sample adjustment form can be seen in Attachment E.

RECOMMENDATIONS:

- 1. We recommend that SWM consider adopting the use of a form to document accounts receivable adjustments.*
- 2. We recommend that staff compare the monthly adjustment report to copies of adjustments on file to ensure that all adjustments have been retained.*
- 3. We recommend that reviews of reports are documented with a signature.*
- 4. We recommend that management develop more specific guidelines for individual adjustments requiring a supervisory signature.*

Accounts receivable transactions did not always post correctly. The Scale House Supervisor prints a summary report of accounts receivable adjustments per WasteWorks at the end of each month. The figure on the report is entered into the Cash Receipts and Deposit Summary Report as part of the reconciliation of the beginning accounts receivable balance to the ending balance. The report printed by the Scale House Supervisor is not retained.

For five out of the twelve months we examined, the amount of the adjustments entered into WasteWorks did not match the figure recorded on the Cash Receipts and Deposit Summary, with differences ranging from -\$57.06 to \$45,266. The most significant discrepancies occurred during June and September 2006.

During June 2006, total adjustments entered into WasteWorks equaled -\$19,156. The amount of adjustments used to reconcile the beginning accounts receivable balance to the ending balance on the Cash Receipts and Deposit Summary was -\$13,556, a difference of \$5,600. The majority of the variance, \$5,543, was the result of sales transactions entered on May 31, 2006, that did not post until the following month. There was no documentation on file with the adjustments for June 2006 to account for the difference between the adjustments in WasteWorks and the amount used to reconcile the beginning and ending aging balances.

An additional \$1,522 worth of transactions from May 31 did not post in May and, unlike the \$5,543 discussed above, these transactions never did post to the customer's accounts receivable balance. The reason for the failure of May 31 transactions to post correctly is unknown. SWM, in conjunction with the WasteWorks software vendor should investigate this event further to determine if changes are necessary to prevent future problems.

Transactions totaling \$45,275, from August 8, 2006 did not post correctly to each customer's account balance. Staff at SWM contacted the WasteWorks software vendor when the problem was noted. The vendor instructed staff to go into each impacted customer's screen and increase the balance due by the amount of the transactions that did not post. The aging report for August was misstated by the amount of transactions that did not post. In order to reconcile to that aging report balance the beginning balance (July's ending balance) was reduced by \$45,275 on the Cash Receipts and Deposit Summary. We were unable to determine why July's ending balance was changed; the transactions that failed to post in August should not have impacted that number. In reviewing reports on file with the Fiscal Manager, no notations regarding the difference were noted.

The following month, September 2006, total adjustments entered into WasteWorks equaled -\$13,345. The amount of adjustments used to reconcile the beginning accounts receivable balance to the ending balance on the Cash Receipts and Deposit Summary was \$31,882, a difference of \$45,227. Because the August aging report was misstated by the amount of the transactions that did not post, the adjustment figure for September was reported as \$31,882 in order to reconcile to the now correct ending balance. In reviewing reports on file with the Fiscal Manager, no notations regarding the difference were noted.

With the exception of \$1,522 worth of transactions that was not charged to the customer's account, the issues related to June and September have been resolved. But

again, documentation of adjustments and the reconciliation of beginning accounts receivable balances and ending accounts receivable balances could be improved. Where the total of the adjustment report does not match the figure entered on the Daily Cash and Deposit Summary Report, documentation explaining the difference between the two numbers should be filed with copies of the WasteWorks adjustments and adjustment report. Evidence should also be on file demonstrating that management approved the difference and reviewed the calculations. Use of adjustment forms may help facilitate this documentation.

RECOMMENDATIONS:

- 1. We recommend further investigation of the cause of the accounts receivable posting errors both internally and with the vendor.*
- 2. We recommend that any differences between adjustments entered into WasteWorks and the adjustment figure recorded on the Daily Cash and Deposit Summary Report be documented and filed with the monthly adjustments.*
- 3. We recommend that management compare the beginning accounts receivable, adjustment, late charge and payment figures used to calculate the ending accounts receivable balance on the Cash Receipts and Deposit Summary Report to the figures found on WasteWorks reports. Variances should be documented and explained.*

The Scale House Supervisor adjusted his own transactions. During busy periods, or in an effort to provide Scale House Operators with a lunch or break, the Scale House Supervisor sometimes receipts payments from customers. While reviewing adjustment documentation, we noted two adjustments where the Supervisor wrote off accounts receivable charges that he had entered while working as a Scale House Operator.

When an adjustment was entered into WasteWorks, the transaction number for the original entry was often entered into the reference field. Using ACL we were able to use the reference field to identify an additional 25 adjustments completed by the Scale House Supervisor, correcting a transaction he had entered while working in the Scale House. Additional instances may have occurred, but because the reference field was not consistently filled in, they may not have been detected.

The adjustments completed by the Scale House Supervisor appear to be appropriate and consistent with other adjustments. However, in order to achieve proper separation of duties, adjustments should not be made by the same employee that created the original transaction. Policy #1062, Purpose Section, states, *“Internal control is a system designed to prevent a single employee from exclusively controlling a monetary transaction. The policy provides suggested internal controls for the segregation of duties in such a way that persons who are responsible for the custody of funds and performance*

of cashiering duties have no part in the keeping of, nor access to, those records which establish accounting control over the funds and operations (and vice versa)." Proper separation of duties helps mitigate the risk that funds might be mishandled.

RECOMMENDATION:

We recommend that adjustments not be completed by the same individual that entered the original transaction.

Late charges were not consistently applied. SWM accounts receivable policy states that amounts outstanding more than 30 days are to be assessed a late charge of 1.5 percent of the past-due balance. We recalculated late charges based on the amount outstanding over 30 days as seen on the printed aging reports on file at the Landfill for the months of October 2005 to September 2006.

Relatively small variations in the amount of late charges recalculated were noted for most months. They were not considered material and may be attributed to adjustments or rounding. However, the month of October 2005 had no late charges. A total of \$37,432 had been aged past 30 days. At 1.5 percent late charges in the amount of \$561 should have been accrued. We asked SWM's Fiscal Manager why no late charges had been made. He was unable to provide an explanation, other than a possible software glitch or problem with the closing routine for that month.

We also noted a variance of \$985 in the late charges recalculated for the month of June 2006. The bulk of the difference, \$885, related to account 1715 which was not charged any late fees. Account 1715 was noted earlier for exceeding its credit limit. When queried, SWM's Fiscal Manager stated that the company is a general contractor and typically takes 60 to 90 days before they pay. He explained that management has decided to not charge them late fees, instead of charging them and then writing them off. However, account 1715 was charged a late fee in November 2005 through January 2006 and again during May, July, August and September of 2006.

Late charges are assessed each month during the month end closing process and are automatically calculated by WasteWorks. A report of late charges is then generated and the figure is used in reconciling accounts receivable beginning and ending balances. When late charges are not assessed correctly, revenue is lost, customer's accounts may be collected less timely, and the accuracy of account balances is less certain.

RECOMMENDATIONS:

1. We recommend that all accounts be charged a late fee in keeping with Solid Waste Management's internal policies.

2. We recommend that SWM fiscal personnel recalculate the expected amount of late charges based on amounts outstanding over 30 days and compare it to the amount generated by WasteWorks. Differences should be investigated and resolved.

Documentation of accounts receivable deposits could be improved. A total of 1,402 payments were applied to accounts receivable during October 2005 to September 2006, totaling \$8,323,935, not including agencies such as Salt Lake County Animal Control, which pay for use of the landfill through journal entries. On average, 4.5 accounts receivable deposits were made every month, totaling \$154,147 each and consisting of 26 checks. We selected a judgmental sample consisting of one deposit from each month and reviewed the documentation. The 12 deposits examined consisted of 363 payments totaling \$2,940,941, representing 25.9 percent of the total quantity of payments and 35.3 percent of the total dollar amount of payments made during the period examined.

Each deposit summed to the amount entered in WasteWorks without exception. In addition, the following documentation was attached in each instance: deposit slip, adding machine tape, Daily Cash Receipts Report, Monthly Deposit Summary Report, a WasteWorks generated Ticket Report and Financial Activity Report. A fully completed transfer form documenting the transfer of money from the Fiscal Manager to the Scale House Supervisor was also attached. The total of the deposit on each of those documents matched the amount recorded in WasteWorks without exception.

Check stubs are also attached to accounts receivable deposit documentation. Where a check stub was available for review, the amount on the check, the date of the check and the customer name corresponded with the information posted to WasteWorks, with one exception which represented an error that was detected and corrected by SWM staff on the same day. However, we did *not* note a check stub for 42 out of the 363 payments examined. We were therefore unable to confirm that the issuer and the amount of the check were accurately recorded in WasteWorks. This may be attributed to businesses or entities with single-part checks that do not have a stub. In addition, some of the check stubs that were attached did not contain the company name, and/or the date or amount of the check.

Policy #1062, section 3.7.1.8.4, states, “*Based on the terms of the county’s armored car service contract, all check deposits must be reconstructable by the County. Accordingly, all agencies must retain copies of all checks deposited. Copies may be in the form of photocopies, microfilm, digital image or similar medium.*” By not retaining copies of all checks received, payments may be applied to the incorrect account and remain undetected.

RECOMMENDATION:

We recommend that Solid Waste Management photocopy all checks received prior to deposit.

CAPITAL AND CONTROLLED ASSETS

Our objective for this part of the audit was to evaluate the adequacy of internal controls over County capital and controlled assets, including compliance with Countywide Policy #1125, "Safeguarding Property/Assets." A capital asset is defined as an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year, and a cost equal to or greater than the capitalization rate, currently \$5,000.

A controlled asset is a personal property item, which is easily converted to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold. Personal communication equipment, such as cell phones, is considered controlled assets regardless of cost.

We reviewed asset purchases for the period January 2006 through October 2006 and later compared those items to lists of capital and controlled assets provided by the Auditor's Capital Assets Group and the agency Property Manager to determine if those assets had been accounted for and added to agency lists.

We obtained a list of capital assets assigned to SWM and located at the landfill site and the transfer station. We selected a sample of 27 capital assets to locate and found all but two of them.

We obtained lists of controlled assets from the Landfill Property Manager. Three separate controlled asset lists were on file. One of these lists was used exclusively to record hand-held radios, and showed their location and serial numbers. Typically, the radios are placed in trucks, or vehicles, or held by individual employees to assist in the vital communication needs of the landfill. By their nature, radios are subject to frequent repair and charging, and continual movement between vehicles or between individuals. In spite of the high degree of mobility involved, we were able to locate all radios from our sample.

A second list included all of the individually assigned cell phones. In our inventory, we were unable to locate all the cell phones listed. This will be discussed further in a later section of the report.

A third list included all other controlled asset items and their location. We selected a sample of 37 controlled assets to locate and were unable to locate one computer in the sample. Based on our work in this area we found the following:

- **Two capital assets and three controlled assets could not be located.**
- **Some recently purchased controlled assets were not included on the controlled assets list.**
- **At least thirty-five assets were found that were not on the controlled assets list.**
- **SWM’s substitute form for the *Controlled Assets Inventory Form—Organization* was not in an acceptable format.**
- **SWM did not use the *Controlled Assets Inventory Form—Employee*.**

Two capital assets and three controlled assets could not be located. While conducting the inventory of a sample of 27 capital assets and 37 controlled assets, we were unable to find two capital assets and three controlled assets. These assets are listed in the Table 14, below:

Assets Not Located During the Inventory					
Asset #	Asset Type	Description	Manufacturer	Model	Acquisition Date
96783	Capital	Personal Computer System	Micron	Millenn/XR U 266	9/10/1997
96847	Capital	Server Unit with LanDesk version 2.8	Micron	NetFrame LV2000	3/24/1998
1894	Controlled	Desktop Computer	Dell	Precision 8300	Unknown
No tag	Controlled	Cell Phone	Motorola	V600	Unknown
No tag	Controlled	Cell Phone	Motorola	V505	Unknown

Table 14. *Two capital assets that were not initially located in the inventory were found on Form PM-2s.*

The Capital Asset Group of the Auditor’s Office researched through old Form PM-2s and found that the two capital assets, #96783 and #96847, had been sent to County Surplus in 2004 and 2005, respectively. A Form PM-2 can be seen in Attachment F.

Asset #96783 was sent to County Surplus on May 5, 2004. In a memo dated February 7, 2005, SWM's Director acknowledged the following, "*the 2004 inventory of capital assets we recently conducted ... is now complete, and the accompanying list of capital assets, ... dated as of 2/07/2005, represents a complete and accurate record of all capital assets for which our organization is responsible.*" Asset #96783 was on the list SWM acknowledged as being inventoried, however, SWM did not realize that they had sent the asset to County Surplus in May 2004. Thus, the asset remained on the Capital Asset list when it had been disposed of nine months prior.

Asset # 96847 was sent to County Surplus on April 13, 2005. In a memo dated December 22, 2005, SWM's Director stated, "*the 2005 inventory of capital assets we recently conducted ... is now complete, and the accompanying list of capital assets, ... dated as of 12/22/2005, represents a complete and accurate record of all capital assets for which our organization is responsible.*" Both asset #96783 and asset #96847 were on the list SWM inventoried, however, SWM did not realize that they had sent asset #96847 to County Surplus in April 2005. Thus, asset #96847 remained on the Capital Asset list when it had been disposed of eight months prior. Asset #96783 remained on the Capital Asset list when it had been disposed of 19 months prior.

The main reason the Capital Asset Group did not catch the error was because when SWM completed the Form PM-2 to transfer the assets to County Surplus, SWM identified the assets with the SWM assigned asset number rather than the County capital asset number. Since the Capital Assets Group was able to identify the asset by comparing the serial number on the Form PM-2 to the assets' description and purchase date in the manufacturer's database and the Capital Asset Inventory 0801 Report, they will remove these two assets from the Capital Asset Inventory.

We were also unable to locate three controlled assets, which included a desktop computer and two cell phones. The Auditor's Office Accounting and Operations, "Accounting Policies and Procedures," addresses the proper procedure for missing capital assets. Section 5.0, Subsection 5.1, Paragraph 5, states, "*Form PM-2, 'Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form,' is to be completed for all types of transfers, including, Unaccounted For/Destroyed/Junked/Lost/Stolen assets.*" The policy goes on to state, "*Attach explanation of circumstances surrounding destruction, junk status, loss, or stolen status of personal property item. If item was stolen be sure to include case number from appropriate law enforcement agency... [Mayoral] approval is required to dispose of destroyed, junked, or lost items.*" The policy does not specify the procedure for missing controlled assets, however, most organizations use Form PM-2 to document controlled asset removal as well.

RECOMMENDATIONS:

1. We recommend that SWM include the County capital asset number in addition to the SWM asset number when completing a Form PM-2.

2. We recommend that SWM ensure that all assets are physically identified when performing the annual inventory of assets.

3. We recommend that a letter be written to the Mayor regarding the missing controlled assets and that Form PM-2 be submitted to the Auditor's Office.

Some recently purchased controlled assets were not included on the controlled assets lists. We examined invoices of newly purchased items from the period January 2006 to October 2006. The matching of newly purchased items to the controlled assets lists showed that the 14 items listed in Table 15, below, had not been added.

Controlled Asset Purchases Not Included on List			
Asset Description	Invoice Date	Quantity	Price (Each)
Dell OptiPlex GX620 Desktop Computer	9/14/06	6	\$1,533.98
XTL 1500 Mobile Radio, 35 Watt	9/22/06	2	\$1,885.39
Pump, Engine Driven	9/07/06	1	\$553.00
Pump, Self-Prime, 8 HP	8/22/06	1	\$1,222.00
Handheld Leaf Blower, Gas	9/13/06	2	\$467.92
Digital Scale	10/11/06	1	\$216.00
4 GB Flash Drive	5/18/06	1	\$148.88
	Total	14	\$16,050

Table 15. *Controlled Assets totaling approximately \$16,000 were not added to the controlled assets list.*

Policy #1125, Sections 2.2 and 2.2.8, state, “*Property Manager’s duties- Property Managers assigned by their Administrators are responsible for the following... Coordinate with the organization’s Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established...*”

Newly purchased controlled assets are easy targets for conversion to personal use if they are not closely tracked by management and included on the controlled assets list. Newly purchased items should be added to the controlled assets list upon receipt. Without identifying the asset conclusively and tying it to the invoice at the time of receipt, the potential for loss is increased.

ACTION TAKEN:

The assets listed in Table 15 have been added to SWM’s controlled asset list.

RECOMMENDATION:

We recommend that the employee designated as Property Manager, and the employee receiving newly acquired assets, coordinate their efforts to ensure that newly acquired assets meeting the “controlled” asset criteria are added to the controlled asset list at the time of receipt.

SWM’s substitute form for the *Controlled Assets Inventory Form—Organization* was not in an acceptable format. The controlled assets list provided by the Property Manager shows an agency tag number, location, and a brief description of the item. There were a few item descriptions that included model or serial numbers, but most did not have enough information to adequately differentiate the item from others in the same category.

Policy #1125, Section 4.3, states, “*The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures.*” Subsection 4.3.2, states, “*Exhibit 4 - Controlled Assets Inventory Form- Organization*” is used for property not readily assignable to an individual employee or which is shared by more than one employee.” Section 4.3.5, states, “*These forms are maintained by, or under the supervision of the Property Manager, and should be available for review or audit by the Auditor’s Office upon request.*” Section 4.3.6, states, “*Although it may be impractical to define exact locations on the forms in circumstances where property is used by more than one employee, or where it is frequently moved or reassigned, Property Managers should use exact locations whenever possible (and update them as needed) to establish better control.*” A Controlled Asset Inventory Form–Organization can be seen in Attachment G.

By not recording data specified on the form in Policy #1125, essential information for control and planning of future asset acquisitions is lacking. For example, since assets were not adequately described, it could not be determined whether recent acquisitions had been added. Failure to include purchase dates limits management’s ability to determine whether items paid for and noted on the invoice have been included on the controlled assets list. The controlled assets list maintained by the Property Manager should contain item descriptions, purchase dates, acquisition costs, and serial numbers. This information not only positively identifies each asset, but also provides assistance in determining replacement costs and the timing for future agency asset purchases.

In response to the audit performed in 2005, SWM sent a letter to the Audit Division dated December 28, 2005. The letter stated, “*Additional information is being added to the substitute controlled asset form such as better description, a purchase date, acquisition cost and/or serial numbers.*” However, the controlled asset list submitted by SWM for this audit still only included asset number, location, and description.

RECOMMENDATION:

We recommend that the controlled assets list include additional information to identify the asset, such as purchase date, acquisition cost, and serial number.

Thirty-five assets were found that were not on the controlled assets list. As we located assets listed at SWM, we also made an effort to note any assets that were not included on the list. We observed 35 assets that were not on the controlled assets list, 21 were not tagged and 14 were tagged. Assets included computers, printers, generators, cameras, and other miscellaneous items. Some of the items were new computer equipment that had not been added to the list. There were several rooms, including the archive room and storage trailer, at SWM that had a lot of old, unused equipment. The majority of the assets in these areas had been taken out of service but had not been sent to Salt Lake County Surplus. There may have been additional assets not listed on the controlled assets list, such as smaller pieces of computer equipment that were not readily visible and so were not noted as we completed our audit.

Policy #1125, Sections 2.2 and 2.2.2, state, “*Property Manager’s duties- Property Managers assigned by their Administrators are responsible for the following...accounting for all controlled assets within the organization’s operational and/or physical custody.*”

ACTION TAKEN:

The Property Manager surplused the older equipment, or added it to the controlled asset list, as appropriate.

RECOMMENDATION:

We recommend that the Property Manager add the newly purchased computer equipment to the controlled assets list.

SWM did not use the *Controlled Assets Inventory Form—Employee.* Individually assigned assets—radios, computers, printers, digital cameras, etc.—are listed by name and location on an organizational list, but individuals to whom these items are assigned do not sign for them as evidence of their custody.

Policy #1125, Section 2.3.4, states, “*...at least annually, employees assigned fixed or controlled assets shall review the list of assigned assets and provide verification by his/her signature to the Property Manager as to the accuracy and completeness of the list.*” Such verification should be in the form as provided by Section 4.3.1, Exhibit 3 of the policy, or a form that contains substantially the same information. The Controlled Assets Inventory Form-Employee can be seen in Attachment H.

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Failure to use the form as required circumvents the obligation and responsibility of the employee to formally acknowledge control of assets assigned to them and to notify the Property Manager of any change in asset status. When the employee form is not used, assignment of responsibility for any loss or theft is more difficult to achieve.

The Property Manager does maintain a separate listing of cell phones assigned to individual employees. We were given a cell phone list dated March 2006 in which none of the employees assigned a cell phone had signed to acknowledge their responsibility for the phone. We were later given a cell phone list dated November 2006, in which all the employees with cell phones had signed the form except for one.

In response to the audit performed in 2005, SWM sent a letter to the Audit Division dated December 28, 2005. The letter stated, "*The proper form will be used on the next annual controlled asset inventory and all employee signatures will be obtained to ensure the obligation and responsibility of the employee to formally acknowledge control of assigned assets to them.*" However, the controlled asset list only contained an employee form for cell phones. There was not any Controlled Assets Inventory Form-Employee for all the other controlled assets assigned to individual employees.

RECOMMENDATION:

We recommend that all employees who individually are assigned controlled assets complete the "Controlled Assets Inventory Form--Employee," and that these forms annually be reviewed and the signature renewed by the individual in possession of the controlled asset.

We appreciate the cooperation and assistance received from SWM staff during our audit. We are confident our work will be beneficial to you as you endeavor to make changes to strengthen internal controls. If we can be of further assistance to you, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Audit Division

Cc: Linda Hamilton
Darrin Casper
Stuart Palmer
Greg Folta

**Daily Cash Balance
Salt Lake County**

MPF 3B

Agency _____ Location _____ Receipt Date _____ to _____
 Cashier _____ Receipt Numbers _____ to _____

Currency	Wrapped	Loose	Total
100.00	_____	_____	_____
50.00	_____	_____	_____
20.00	_____	_____	_____
10.00	_____	_____	_____
5.00	_____	_____	_____
2.00	_____	_____	_____
1.00	_____	_____	_____
.50	_____	_____	_____
.25	_____	_____	_____
.10	_____	_____	_____
.05	_____	_____	_____
.01	_____	_____	_____
Total	_____	_____	(A) _____

A. Total currency _____
 B. Total checks _____

1. Total Cash on Hand (Line A + B) _____
2. Total Collections per cash register _____
3. Total cash on hand (Line 1) _____
4. Authorized Change fund balance _____
5. Adjusted total (Line 3 minus line 4) _____
6. Overage or [Shortage] (Line 5 minus line 2) _____
7. Total Deposit (Line 5) _____

Deposit Bag Control Number _____

Comments: _____

CASH OVER/SHORT LOG

MPF Form 11

DIVISION _____

MONTH/YEAR _____

EMPLOYEE _____

DAY	AMOUNT OVER / (SHORT)	INITIALS OF CASHIER
1	\$ _____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____
7	_____	_____
8	_____	_____
9	_____	_____
10	_____	_____
11	_____	_____
12	_____	_____
13	_____	_____
14	_____	_____
15	_____	_____
16	_____	_____
17	_____	_____
18	_____	_____
19	_____	_____
20	_____	_____
21	_____	_____
22	_____	_____
23	_____	_____
24	_____	_____
25	_____	_____
26	_____	_____
27	_____	_____
28	_____	_____
29	_____	_____
30	_____	_____
31	_____	_____

ACCUMULATIVE OVER/(SHORT) \$ _____

Approved by Agent Cashier _____

I have reviewed the above log for propriety and certify that any differences between cash received and deposited are listed above.

Supervisor's Signature _____ Title _____

Void Form

Date: _____ Amount \$ _____ Check Cash Credit Card

Ticket Number: _____

Cashier Name: _____

Purpose: _____

Signature of Employee issuing the Void

Signature of Supervisor Reviewing Void

Signature of Customer

SAMPLE A/R ADJUSTMENT FORM

Date _____

Account No. or Nos. Impacted

Net A/R Impact
\$

Authorized by

Approved by

Original Ticket Numbers (if applicable)	
--	--

Adjusting Ticket Number/s	
----------------------------------	--

Reason (s)

- | | | | |
|-------------------------------|--------------------------|-----------------------------|--------------------------|
| WVC Agreement | <input type="checkbox"/> | Wrong Account Charged | <input type="checkbox"/> |
| SSL Agreement | <input type="checkbox"/> | Wrong Material Code or Rate | <input type="checkbox"/> |
| Reclamation Agreement | <input type="checkbox"/> | Wrong Weight | <input type="checkbox"/> |
| Granite School Dist Agreement | <input type="checkbox"/> | Write Off Balances | <input type="checkbox"/> |
| Closing Account/ Refund | <input type="checkbox"/> | Other | <input type="checkbox"/> |

Explanation:

The above adjustment form represents a sample of the format that could be used to document adjustments to accounts receivable balances. SWM should develop a form that best suits their needs.

SALT LAKE COUNTY PERSONAL PROPERTY TRANSFER/DISPOSAL/INTERNAL SALE FORM PM-2

TRANSFERRING FUND # _____ ORGANIZATION # _____ ORGANIZATION NAME _____
 RECEIVING FUND # _____ ORGANIZATION # _____ ORGANIZATION NAME _____
 TRANSFER TYPE _____ TRANSFER DATE _____

FIXED ASSET/PROPERTY ID #	PERSONAL PROPERTY DESCRIPTION	VEHICLE VIN NUMBER/SERIAL #	CONDITION OF ITEM	NEW LOCATION #	BID/AUCTION & SALE AMOUNT

FIXED ASSET TRANSFER/DISPOSAL/INTERNAL SALE CODES

- A) TRANSFER TO OTHER ORGANIZATIONS
- B) INTERNAL SALE TO/FROM PROPRIETARY FUND
- C) TRADE-IN TO VENDOR/NEW EQUIP. PURCHASE (EXPLANATION ATTACHED)
- D) CONSIGNED TO SURPLUS FOR TRANSFER/DISPOSAL/SALE
- E) UNACCOUNTED FOR/DESTROYED/LOST (COMMISSION LETTER REQUIRED)
- F) STOLEN (REFER TO COUNTYWIDE POLICY 1125 PARAGRAPH 2.2.10)

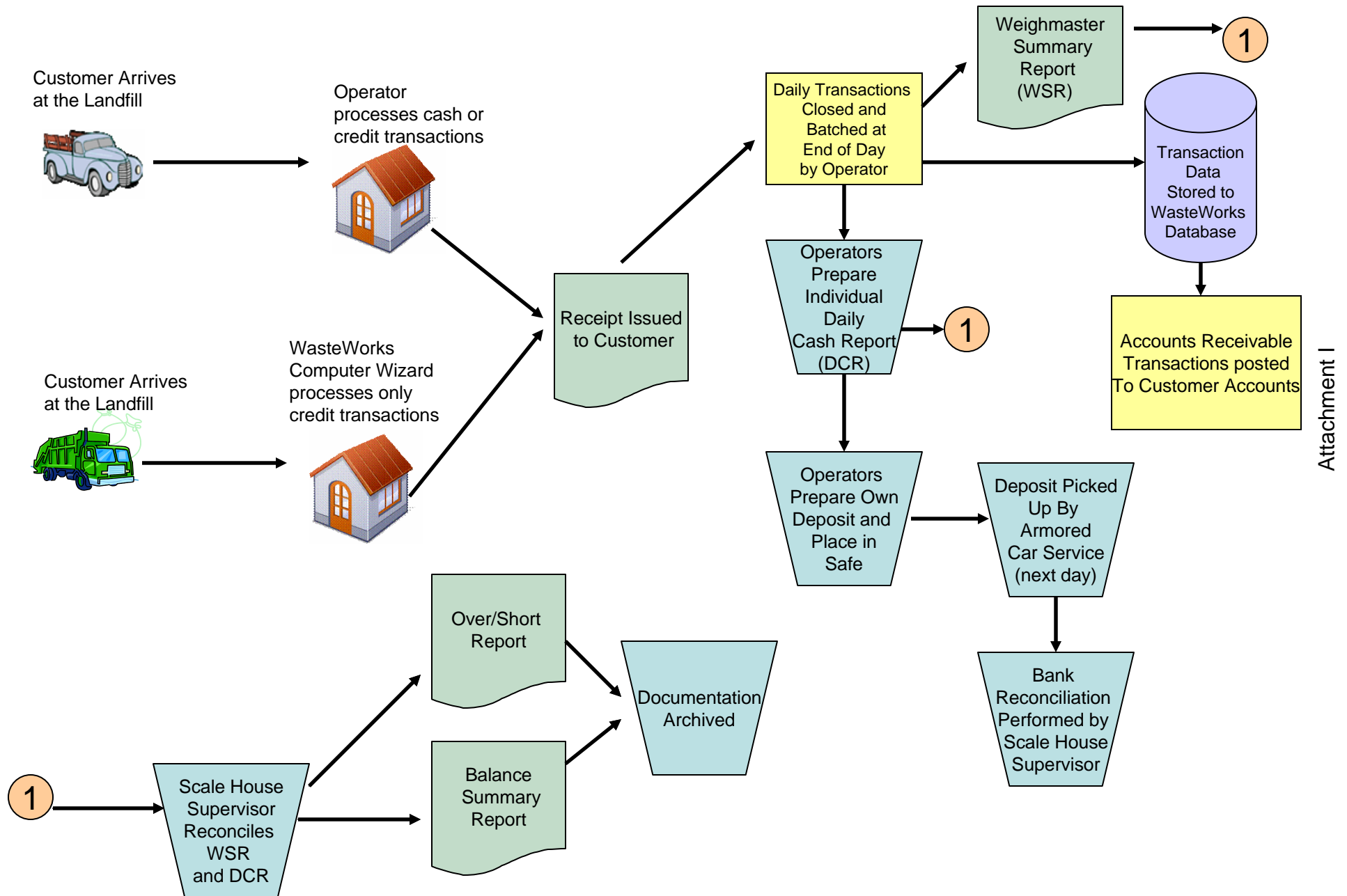
INSTRUCTIONS FOR INTERNAL SERVICE/ENTERPRISE FUNDS

- 1) ITEMS TRANSFERRED TO OR FROM PROPRIETARY FUNDS WITH AN ORIGINAL COST OF \$10,000 OR MORE MUST HAVE AN AGREED UPON PRICE BEFORE THE TRANSFER CAN TAKE PLACE.
- 2) IF YOUR ORGANIZATION INTENDS TO RESERVE SURPLUS EQUIPMENT FOR THE NEXT AVAILABLE SALE, YOU MUST MAKE STORAGE ARRANGEMENTS WITH THE PROPERTY AGENT IN PURCHASING BEFORE DELIVERY OF ITEMS.

TRANSFERRING AGENT (AUTHORIZED) → (PRINT): _____
 SIGNATURE: _____
 RECEIVING AGENT (AUTHORIZED) → (PRINT): _____
 SIGNATURE: _____
 SIGNATURE OF SURPLUS PROPERTY AGENT: _____
 (AS CONSIGNEE OR AGENT)
 SIGNATURE OF AUDITOR: _____

PM-2'S NOT PROPERLY SIGNED BY BOTH THE TRANSFERRING AND RECEIVING ORGANIZATION AND/OR SURPLUS PROPERTY AGENT WILL BE RETURNED AND DELIVERY OF SURPLUS ITEM REFUSED

Transaction Flow at Solid Waste Management



Attachment I



SALT LAKE VALLEY SOLID WASTE MANAGEMENT COUNCIL

6030 West California Ave (1400 South)
Salt Lake City, Utah 84104
(801) 974-6920
FAX (801) 974-6936
www.slvlandfill.slco.org

John Ioannou
Executive Director

May 23, 2007

Mr. James B. Wightman, Director
Internal Audit Division, SL County
2001 South State, #N3300
Salt Lake City, Utah 84119

RE: Solid Waste Management Audit

Council Members

Peter M. Corroon, Chair
Mayor, Salt Lake City

Ross C. "Rocky" Anderson
Mayor, Salt Lake County

Dennis Nordfelt
Mayor, West Valley City

Gary Edwards M.S.
Director, Salt Lake
Valley Health Department

Dr. Ryan Dupont
School of Engineering
Utah State University

Dear Mr. Wightman,

We thank you and your staff for the time and effort given for the recent internal audit of our division and for your recommendations for improvement. Your staff acted professionally in every aspect. Our staff has been involved with your staff in many discussions throughout this audit for the past seven months.

We have taken corrective action on some of the findings and will detail our actions. With the many personnel changes at the facility, some of the recommendations will be implemented as new personnel are hired at the facility. A separate report on those actions will be prepared and submitted by the end of the summer.

Petty Cash and Change Funds (p. 4)

1. Reimbursement of change fund shortages with personal funds. We feel we applied Policy #1062 and #1203 appropriately. There was 'no pattern of shortages' and it did not 'appear to relate to a theft' but appeared to be an isolated incident. There was a major personnel shakeup at the landfill (firing of the director and operations supervisor), a new acting director, and other major changes of responsibilities. We think a mistake was made, not a theft nor was there a pattern of shortages. The Scalehouse Supervisor was given appropriate disciplinary action. Therefore, we felt the action taken was appropriate to the circumstances. Incidentally, the theft at the landfill noted on page 3 was properly reported to the Auditors as outlined in Policy #1304.
2. Daily Cash Report as a substitute for MPF Form 3. We incorporated the MPF Form 3 and have a conforming Daily Cash Report (attached) to include an area for scalehouse operators to account for the change fund assigned to them (p. 7).

Cash Receipting and Depositing (p. 8)

1. Review of Scalehouse Supervisor's daily transactions and deposits. The Scalehouse Supervisor (█████ at present) and ██████ both act in a cashiering capacity. Additional supervisory review has been implemented. The Fiscal Manager is reviewing and documenting with a signature the review of ██████ Daily Cash Report. Also, ██████ transactions are reviewed/signed by the Scalehouse Supervisor and/or Fiscal Manager (p. 10).
2. Separation of duties over receipting of checks. The receptionist ██████ keeps a log of checks received on an excel file – starting in April 2007 (see attached) (p. 10).
3. Scalehouse operators enter the correct form of payment. This is a recurring recommendation from the 2005 Internal Audit report. The Division SOP is not always followed. Management can only encourage, more closely monitor the transactions, and then keep a more detailed report of addressing this issue (p. 11).
4. Personnel did not always sign the Over/Short report. There are reasons outlined on page 13 for failure to obtain the required signatures. And, there were signed over/short reports that were not found and reported by the auditors. We have obtained all the required signatures on all the over/short reports, including through April 2007 (copies attached). Management will complete the over/short reports with signatures and then properly file in a centralized location. (p. 15).
5. Funds to be deposited no later than three days after receipt. We believe the log of checks received (# 2 above) and the new shift of duties will meet this recommendation (p. 10).

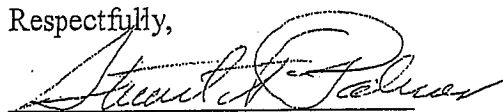
Capital and Controlled Assets

1. Adding newly acquired assets to the controlled asset list at the time of receipt. The items listed on Table 15 have now been added to the controlled asset list dated February 15, 2007. As mentioned, timing is the issue on this particular recommendation. Most items were purchased in the Sep/Oct time period and the management shuffle was made the first week of October. In addition, the responsibility for Property Manager was changed. ██████ is now the Property Manager. The previous controlled asset listing was dated April 2006 (pp 43, 45).
2. The Property Manager has taken proper care of the older equipment in the storage areas, either adding the assets to the controlled assets or sending them to surplus (p. 45).

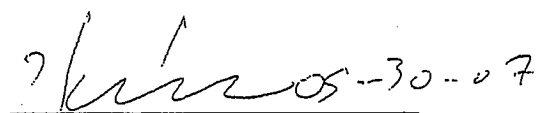
As noted, there have been many personnel changes at the landfill including the Division Director. There are other personnel changes in process with the future hiring of an Internal Services Manager. The changes will allow the new personnel to implement many of the recommendations in this report. A follow up response to this audit report is anticipated by the end of the summer.

Again, thank you for the report and recommendations to strengthen internal controls at our facility.

Respectfully,



STUART F. PALMER
Fiscal Manager



JOHN IOANNOU
Executive Director

cc: Linda Hamilton
Attachments