



GREGORY C. HARRELL

CLERK OF COURT AND COMPTROLLER – MARION COUNTY, FLORIDA

Internal Control Review of the Scale House Operations with Emphasis on Financial Activities

Solid Waste Department

Report No. 2023-05

December 13, 2023

Issued To:

The Honorable Board of County Commissioners
Mounir Bouyounes, County Administrator

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***Internal Control Review of the Scale House Operations with
Emphasis on Financial Activities – Solid Waste Department 2023***

REPORT ABBREVIATIONS AND TERMS

Terminology	Abbreviation
Accounts Receivables	A/R
Multiple Assessments Authorization	MAA
Policies and Procedures	P&Ps
Solid Waste	SW

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EXECUTIVE SUMMARY

Pursuant to our annual audit plan for the calendar year 2023, we have completed an internal control review of the Scale House operations with emphasis on financial activities.

Overall, the controls were adequate and functioned as designed. There were opportunities for improvement to enhance the controls.

The areas we reviewed are summarized in a table below.

Areas Reviewed		Results
Cash controls	Adequacy of P&Ps	No exception
	Understanding of P&Ps by the employees	No exception
	Surprise cash count	No exception
	Safeguarding of cash – Change Fund	No exception
	Safeguarding of cash – daily revenues	Observation 1
	Transaction void process	Observation 2
	Scale bypass process	Observation 3
	Multiple Assessments Authorization (MAA) Program	Observation 4
Accounts receivables (A/R)	Adequacy of P&Ps	Observation 5
	Handling of A/R accounts (i.e. stale accounts with balances, creation of new account, ownership changes)	No exception
	Segregation of duties over the process of issuing credits to a customer account	No exception
	Billing accuracy	No exception

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Overview of Opportunities for Improvement		
Observation #	Summary	Management Response and Implementation Status
1	Limiting access to the Scale House deposit bags will increase accountability and efficiency.	Agreed (In Process of Implementation)
2	Pre-numbered manual bypass tickets function as a control if the numbers were tracked to account for all the tickets issued.	Agreed (In Process of Implementation)
3	Improving the documentation maintained for the voided transactions ensures the validity of each void in addition to providing a good audit trail.	Agreed (In Process of Implementation)
4	Establishing departmental P&Ps for the MAA Program will enhance the existing protocol to ensure that the employees handle processes consistently.	Agreed (In Process of Implementation)
5	Establishing departmental P&Ps for A/R processes will clarify the areas not addressed in Resolution 07-R-54 and ensure that the employees handle processes consistently.	Agreed (In Process of Implementation)

It is important to emphasize that this audit does not guarantee that all areas for improvement were noted. Our audit focus was not on the number of financial errors, but rather on the adequacy of the internal controls. Noncompliance or irregularities, not included in this report, could exist because this audit did not include a review of all records and actions of the Department.

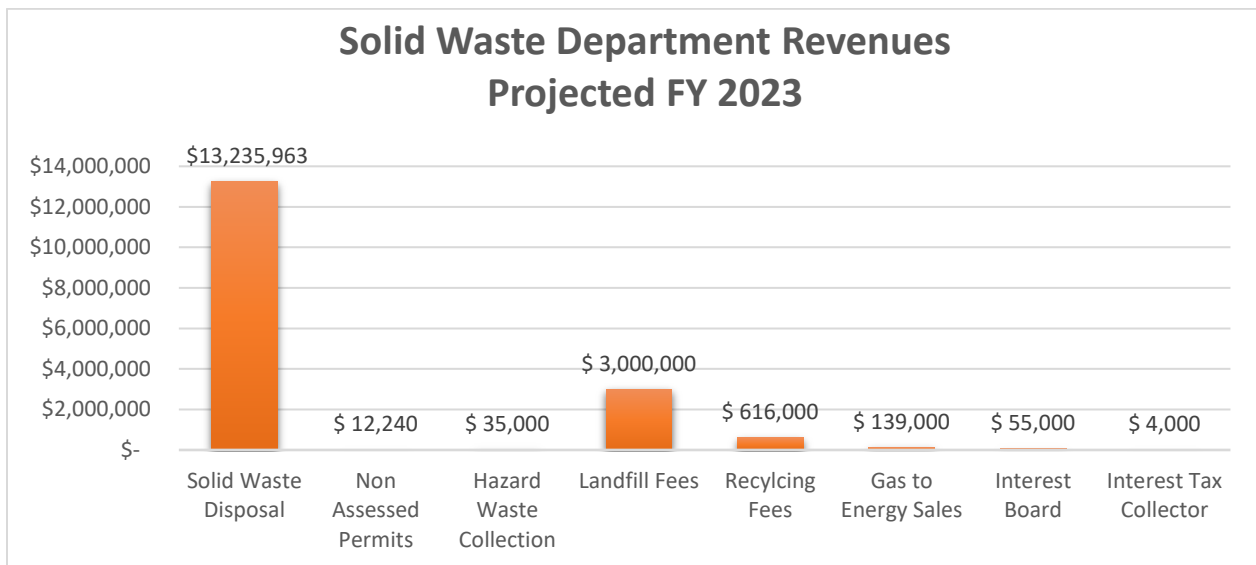
We would like to thank the employees and management of SW for their cooperation during the audit.

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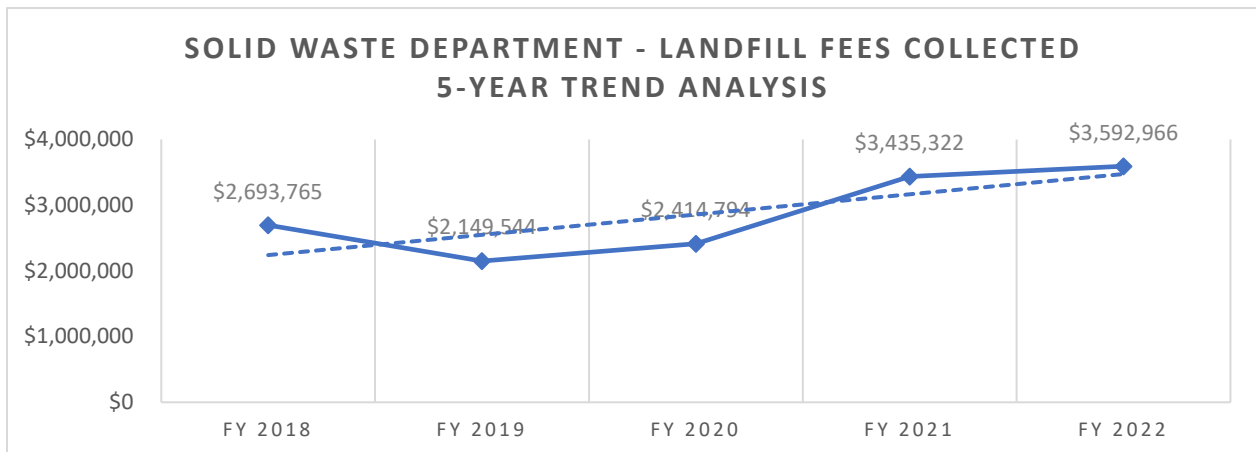
BACKGROUND

The review of internal controls over cash handling and A/R of the SW Department was in our annual audit plan and was selected because of the department's revenue amount.

The SW Department's projected revenues for SW Disposal, Landfill Fees, and Recycling Fees for FY 2023 were \$ 13,235,963, \$ 3,000,000, and \$ 616,000, respectively. The combined total of these revenues, \$16,851,963, represents almost 99% of the total division's annual revenue, excluding the balance forward. The SW Disposal amount represents the County Wide Waste Non-Ad Valorem Assessment paid by the property owners by way of the property tax bill. The Landfill Fees represent the monies collected either at the Scale House or through A/R from the customers for using the landfill. The Recycling Fees pertain to payments received for scrap metals.

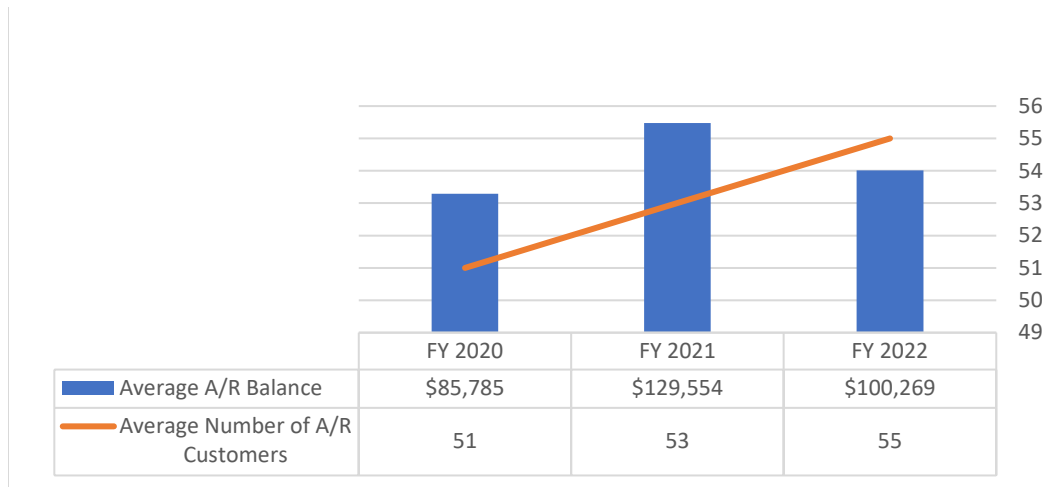


The focus of our audit was internal controls over the Landfill Fees collected from the customers, cash, or through A/R.



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The above graph depicts a five-year trend of the Landfill Fees collected from FY 2018 to FY 2022, which shows an upward trendline, which is expected as the Marion County population continues to increase.



The average monthly A/R balance of the Landfill Fees between FY 2020 and FY 2022 fluctuated, but the average number of A/R customers increased steadily.

OBJECTIVE, SCOPE, AND APPROACH

We had two objectives for this review:

1. To determine whether SW had adequate internal controls over cash handling and
2. To determine whether SW had adequate internal controls over A/R.

The scope of the audit was from August 1, 2019 through December 31, 2022.

Our approach included tests of records, analyses, interviews with the employees, a surprise cash count, as well as observations of the site.

OPPORTUNITIES FOR IMPROVEMENT

Observation 1 – Limiting access to the Scale House deposit bags will increase accountability and efficiency.

Before the day's shift is over, each Scale House operator verifies each other's work and places the day's revenue and necessary paperwork into a Scale House deposit bag. The Scale House deposit bag was left unlocked by leaving the key inserted and kept in the locked safe at the end of the day. The next shift's employees, who may have not been responsible for the previous shift, accessed the money in the deposit bag for verification prior to the supervisor's third verification process.

Access to the content of the deposit bag should be minimized and safeguarded.

The Scale House operations had a triple verification process of the previous day's receipts, first by that previous day's shift, second by the next morning day's shift, and third by the Scale House supervisor. It was, therefore, operationally necessary to leave the deposit bag unlocked.

Though the triple verification process may ensure accuracy, it creates an increased risk of theft or loss of money by providing an opportunity for other shift employees to access the money. Furthermore, when more people have access to the money, without a responsible party being present, it reduces accountability which results in not being able to detect who may have accessed the money. Efficiency may be gained if one of the verification steps was eliminated.

Management Action Plan:

1. Eliminate the second verification by scale operators: This step aims to streamline the verification process by removing the need for scale operators to perform a second verification.
2. Order a combination lock box: A combination lock box will be acquired to securely store the scale deposit bag key at the end of each business day.
3. Attendant will lock the scale deposit bag and place the key in the lock box: Scale operators will be responsible for locking the scale deposit bag and placing the key in the lock box once their shift ends.
4. Limit access to the lock box: Only authorized personnel, such as the Scale Supervisor and Fiscal Manager, will have access to the lock box code to ensure the security of the deposited funds.
5. Update Policies and Procedures to reflect change in process.

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6. Solid Waste staff to be provided copies of revised policies and procedures.

By implementing these steps, management aims to enhance the security and accountability of the scale deposit process.

Implementation Status: In Process of Implementation

Target Implementation Date: March 1, 2024

OPPORTUNITIES FOR IMPROVEMENT

Observation 2 – Pre-numbered manual bypass tickets function as a control if the numbers were tracked to account for all the tickets issued.

The Scale House uses a process called “scale bypass”. This process is used when the line at the inbound lane becomes too long resulting in an increased wait time for the customers. The purpose of this process is to reduce the wait time for the customers and relieve the workload for the inbound operator.

A Scale House employee:

- 1) walks the line and collects cash from the residential customers who elect a fixed fee in lieu of the per tonnage fee,
- 2) writes a manual ticket,
- 3) records the transaction into the Scale House’s software, PC Scale, which in turn generates a separate ticket subsequently, and
- 4) enters the manual ticket number into the system as a point of reference.

The customers who used the process can drop off their garbage without going through the inbound scale.

A 2-tier pre-numbered ticket book is used for manual tickets. The customer is given a handwritten white copy as a receipt while a yellow copy of the same ticket is attached to the day's paperwork and maintained in the Scale House. These tickets are pre-numbered but not tracked. This process applies only to cash paying customers.

Pre-numbered manual tickets work as a form of controls only if the numbers were tracked to account for all the tickets issued.

Management did not believe it was necessary to track the pre-numbered manual tickets as the scale bypass process takes place infrequently and as PC Scale issues a new ticket for each manual ticket.

We could not quantify revenues generated from, or verify frequency of, the use of manual bypass tickets because there was no mechanism in place to track the frequency or the amount of revenue resulting from this process.

By not tracking the pre-numbered bypass forms, it creates an increased risk of theft or loss of money by providing the potential for employees to take cash payments and not record the transaction in PC Scale.

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Management Action Plan:

1. Track ticket books: This step aims to eliminate increased risk of theft or loss of money by tracking pre-numbered tickets.
2. Limit the number of active bypass ticket books: By allowing only two (2) active bypass ticket books at a time, better tracking and accountability can be achieved.
3. Any used ticket books will be discarded and new ticket books will be used upon implementation: This will allow management to verify frequency of bypass ticket use.
4. Properly handle voided tickets: When a ticket is written incorrectly, it should be voided by writing “void” across it and having the Scale Operator date and initial the voided ticket. Voided tickets should remain in Scale House. This will ensure accurate tracking of all tickets.
5. Cross-reference manual tickets with PC Scale ticket: After generating a PC Scale ticket referencing the manual ticket number, the Scale Operator should write the PC Scale ticket number on the manual ticket. This will facilitate the reconciliation process at the end of the day and ensure that all manual tickets have been properly entered and all monies collected have been accounted for if they have a PC Scale ticket number written on them.
6. The pre-numbered tickets should be attached to the PC Scale generated ticket as a backup document.
7. Update Policies and Procedures to reflect change in process.
8. Solid Waste staff to be provided copies of revised policies and procedures.
9. Solid Waste would like to explore alternative software options that can automate this process.

Implementation Status: In Process of Implementation

Target Implementation Date: March 1, 2024

OPPORTUNITIES FOR IMPROVEMENT

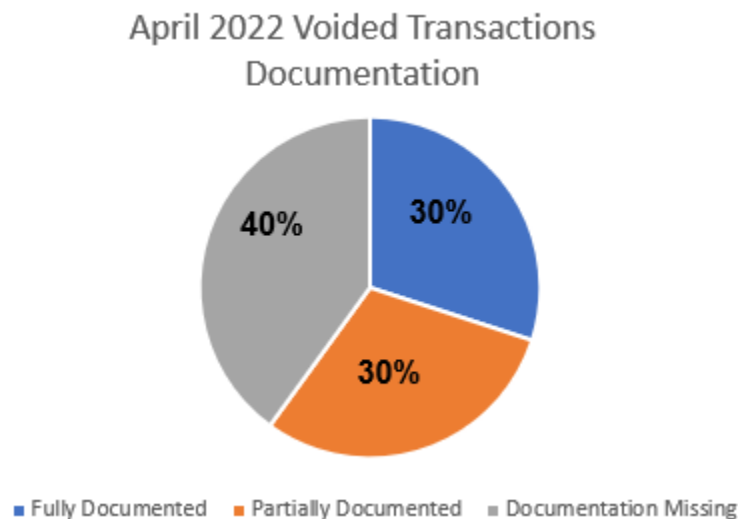
Observation 3 – Improving the documentation maintained for the voided transactions ensures the validity of each void in addition to providing a good audit trail.

Scale House cashiers who generate Scale House tickets can void them through PC Scale without any approval process. By design, PC Scale cannot create an approval process to implement segregation of duties. To compensate the lack of controls, the Scale House supervisor reviews the voided transactions on a daily basis to ensure that the voids are valid before forwarding the original paperwork to Finance; however, there is no documented indication that the supervisor's review was complete. There are P&Ps in place to address the steps to take when voiding a ticket.

We compared the P&Ps to the documentation found in Finance to determine whether the documentation was available and adequate to support the voiding of the respective tickets. We found that not all voided transactions followed the P&Ps.

We chose April 2022 as a sample month and tested 10 transactions of the 15 voided transactions:

- Out of the 10 transactions tested, we found that three were fully documented.
- Three were partially documented.
- The partially documented transactions were a result of either a missing voided ticket, a new ticket number was not referenced when one should have been, and/or the voided ticket itself was not marked as "void."
- We could not locate four out of 10 voided transactions in Finance.



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The Scale House did not start maintaining copies of voided paperwork at the Scale House before sending it to Finance until October 2022; therefore, our review was limited to the available documentation located in Finance.

According to the P&Ps, voiding a ticket requires the following:

- the void reason and the operator's initials are entered into the software,
- create a replacement ticket (if applicable) or provide a brief explanation in the system as to why a replacement ticket was not generated, and
- the voided ticket must be marked as "void"

The SH staff overlooked performing certain steps for the voiding process; however, ongoing training is currently in place to address this shortfall.

Without adequate documentation of voided transactions on file and an acceptable amount of detail provided for the void to support a voided ticket, it becomes difficult to track and confirm its validity.

Management Response:

Internal Audit selected April 2022 as a sample month.

For context, the total number of scale transactions for April 2022 was 12,932 for a total revenue of \$303,643.17. The total number of voided transactions for this month was 15. Of the 15 transactions, only 3 had monetary value. These 3 voided transactions had new tickets created in the same monetary value resulting in no financial impact.

Upon review of Internal Audit's observations:

1. 8 of the 15 voided transactions accounted for reclassifying loads related to a storm clean up event.
2. 2 of the 15 voided transactions resulted from selection of the wrong truck and a new ticket needed to be created.
3. 3 of the 15 voided transactions resulted from selection of the wrong payment method and a new ticket needed to be created.
4. 1 of the 15 voided transactions resulted from selection of the wrong customer and a new ticket needed to be created.
5. 1 of the 15 voided transactions resulted from a technology malfunction and a new ticket was created.

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Management Action Plan:

1. Revision of the Policy and Procedure for ticket voids will be made to ensure clarity and effectiveness.
2. Solid Waste staff to be provided copies of revised policies and procedures.
3. Scale Operators will be instructed to retain voided tickets instead of sending them to Finance, as per the revised Policy and Procedure.
4. A copy of the voided ticket will be securely attached to the end-of-day void report and daily report, and scanned to a folder, providing a comprehensive record of voided transactions.
5. In cases where a replacement ticket is issued, the voided ticket will also be stapled to the new ticket, maintaining a clear audit trail of the transaction history.

Implementation Status: In Process of Implementation

Target Implementation Date: March 1, 2024

OPPORTUNITIES FOR IMPROVEMENT

Observation 4 – Establishing departmental P&Ps for the MAA Program will enhance the existing protocol to ensure that the employees handle processes consistently.

Around 2015, this program was created to alleviate the traffic and extra materials going into the recycling center by owners of multiple properties who pay multiple SW Assessments which are charged on the property tax bill. As a result, the owner of multiple properties can bypass the recycling center and go directly to the Scale House to discard the trash without paying an additional charge.

The SW personnel could not find the actual documented authorization for the creation of this program. There is an established process for the program, but we found no documented P&Ps.

The property owner must fill out an application, and once the ownership is verified by SW, an MAA Property Listing is generated. A copy of the listing is shared with the SH so that when an approved owner, or his/her authorized representative, goes to the SH with trash, the SH operator can confirm that person is approved to dispose of trash at no charge. The property owner has to renew this on a yearly basis. The SW department mails out a renewal letter annually, to each owner of multiple properties, for him or her to confirm the ownership in order for that property owner to continue using this program. SW in turn verifies the ownership once the renewal letter is received.

We performed a testing to confirm that all 12 entities approved to use this program were eligible to use the Scale House for garbage disposal at no charge. If the number of parcels owned by each property owner was 10 or less, we tested 100%. If a property owner owned over 10 parcels, we tested either 10% of the parcels, or 10 parcels, whichever was greater. The testing indicated that 8%, or one out of the 12 entities, included an address on the respective MAA property listing that did not qualify for this program since that property was owned by a different individual. However, this entity remained eligible for the program since it still owned nine remaining units.

Management should design controls and deploy the controls through P&Ps for consistent application of the policies.

Solid Waste has operated under an informal historical process. To date, management has not re-evaluated this portion of the program.

When an MAA property listing is not accurate and the approved owner or a designated representative uses the SH to dispose of trash at no charge for a property address that is not eligible, it can result in a potential loss of revenue for SW. Without adequate departmental P&Ps in place, the employees may handle processes inconsistently, or the transfer of knowledge could be lost when turnover occurs.

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Management Response:

To provide context, in 2023 157,017 parcels were charged the residential solid waste assessment. Under the MAA program, there are 12 property owners that own a combined total of 412 residential properties. Of the 12 property owners, 1 owner had 1 property that did not qualify for the MAA program due to the sale of that property. The testing from Internal Audit confirmed that 1 residential property out of 412 properties should not have been included in the MAA program.

Management Action Plan:

1. Develop and implement a Policy and Procedure for Multiple Assessment Authorization that outlines the process for granting authorization for multiple assessments. This policy and procedure will define the time period for multiple assessment ownership authorization.
2. Verify ownership of all properties through the Property Appraisers website to ensure accurate and up-to-date information. Verification should begin once MSTU has assessed all properties. This will help prevent any discrepancies or errors in the assessment process.
3. Solid Waste staff to be provided copies of revised policies and procedures.

Implementation Status:

Target Implementation Date: March 1, 2024

4. The Multiple Assessments Authorization process will be reviewed and re-evaluated to ensure best management practices.

Implementation Status: In Process of Implementation

Target Implementation Date: October 1, 2024

OPPORTUNITIES FOR IMPROVEMENT

Observation 5 – Establishing departmental P&Ps for A/R processes will clarify the areas not addressed in Resolution 07-R-54 and ensure that the employees handle processes consistently.

The Board of County Commissioners approved Resolution 07-R-54 to “establish charge accounts for the payment of tipping fees for the disposal of nonresidential solid waste.” The SW Department used this resolution as their A/R guidance; however, the resolution is not detailed enough to address four A/R related processes:

1. Documenting the A/R Adjustments/credits process.
2. How to address A/R accounts with credit and debit balances.
3. How to create A/R accounts.
4. How to address A/R account delinquency.

One of the internal control components is documentation of responsibilities through P&Ps.

SW staff has operated consistently with working practices for A/R procedures. Since the split between SW and Marion County Utilities from the Office of Environmental Services, SW has yet to draft departmental specific processes related to A/R.

Without adequate departmental P&Ps in place, the employees may handle processes inconsistently, or the transfer of knowledge could be lost when turnover occurs.

Management Response:

Keeping P&Ps up to date will enhance departmental effectiveness, reduce risk, and reduce lost knowledge when turnover occurs.

Management Action Plan:

1. Develop and implement Policy and Procedures for the following A/R related process where no written policy currently exists:
 - a. Documenting the A/R adjustment/credit process: clear guidelines will be established for recording and documenting any adjustments/credits made to accounts receivable, ensuring accuracy and transparency.
 - b. Handling A/R accounts with a credit/debit balance: Procedures will be outlined to effectively manage accounts ensuring proper reconciliation and accountability.

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- c. Creating A/R accounts: A clear process for creating A/R accounts will be developed to include the necessary documentation and approval requirements.
- 2. Staff will be trained on Policy and Procedures.
- 3. Solid Waste staff to be provided copies of revised policies and procedures.

Implementation Status: In Process of Implementation

Target Implementation Date: March 1, 2024

- 1. Addressing A/R account delinquency:
 - a. Revisit Resolution 07-R-54 to update the resolution to improve business practices.
 - b. Once the resolution is updated, Solid Waste will create a policy which corresponds to the updated resolution.
 - c. A clear process will be implemented to address delinquency in A/R accounts, ensuring consistency in addressing delinquent accounts.

Implementation Status: In Process of Implementation

Target Implementation Date: October 1, 2024

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