
A Report to the
Citizens of Salt Lake County
The County Mayor and the
County Council

An Audit of Key Controls
at the Solid Waste
Management Facility



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

July 2019
Report Number 2019-5

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To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.



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**Office of the
Salt Lake County Auditor
Scott Tingley, CIA, CGAP**

**Report Number 2019-5
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**An Audit of Key Controls at the
Solid Waste Management Facility**

We recently completed an audit of key controls at the Solid Waste Management Facility ("Solid Waste"). The purpose of the audit was to examine financial transactions and business processes at Solid Waste to determine if internal controls related to cash receipting and depositing, capital and controlled asset management, and purchasing cards were properly implemented and functioning as intended. We performed test of those key controls to provide assurance that accounting records were complete and accurate, financial transactions and processes complied with established policies, procedures, laws and regulations, and that county assets were adequately safeguarded against the risk of loss, theft, waste, or abuse.

Our work was designed to provide reasonable, but not absolute assurance, that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered issues related to items not specifically selected for review.

Audit criteria included Solid Waste's own internal policies and procedures and Countywide Policies such as ***CWP 1203, "Petty Cash and Other Imprest Funds," CWP 1062, "Management of Public Funds," CWP 1125, "Safeguarding Property/Assets," and CWP 7035, "Purchasing Card Authorization and Use."***

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments at Solid Waste. We truly appreciate the time and efforts of the employees of Solid Waste throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Objectives

The objectives of the audit were to identify and perform tests of key controls at Solid Waste to:

- Determine if internal controls are designed properly and functioning as intended to ensure that county financial transactions are recorded and reported accurately and completely, and free from significant error;
- Determine if financial transactions and business processes comply with applicable laws, regulations, policies, procedures, and contracts;
- Determine if county management provides adequate fiscal oversight, including monitoring the control environment, over financial transactions and business operations to ensure that transactions are valid and appropriate;
- Provide assurance that county assets are properly safeguarded against loss, theft, waste, or abuse.

Scope and Methodology

Our audit work covered the period from January 1, 2018 through December 31, 2018. The audit included a formal examination of financial records related to the following operational areas:

- Petty Cash and Change Funds
- Cash Receipts and Daily Deposits
- Capital and Controlled Assets
- Purchasing Cards

In addition to examining financial records, we observed business practices and procedures, and tested internal controls surrounding them. We examined daily cash collections and deposits, interviewed Solid Waste employees, conducted a physical inventory of capital (“fixed”) and controlled (“expensed”) assets, performed a count of petty cash and change funds, and examined purchasing card (“p-card”) transactions.

Audit Results

Petty Cash and Change Funds

Petty cash funds are used by County agencies to purchase small-cost items that are of such a nature that the normal purchase order method is not cost effective. Countywide policy currently limits disbursements from petty cash to no more than \$200 per transaction. Countywide Policy #1203 “*Petty Cash and Other Imprest Funds*,” outlines the proper use and management of petty cash funds for all County agencies. County agencies may establish their own internal policies and procedures regarding the disbursement of petty cash funds, so long as they do not contradict countywide policies.

Solid Waste has a petty cash fund totaling \$1,500. We performed a surprise count of the petty cash fund that compared the total cash on hand, less reported purchases, to arrive at the remaining petty cash fund balance. We found that the petty cash fund was maintained at its authorized amount. We verified that only the petty cash custodian had access to the funds when needed.

We reviewed petty cash disbursements for all of 2018 and verified that purchases were properly authorized and reviewed by management, appeared to have a clear county business purpose, and that each petty cash disbursement did not exceed the \$200 single transaction limit. We also verified that Solid Waste did not pay sales tax on purchase vouchers submitted for petty cash reimbursement, and that the petty cash disbursements complied with the other provisions of Countywide Policy #1203.

Solid Waste also maintains a change fund to provide smaller denominations of change when processing cash sales transactions at the scale houses. Solid Waste has an authorized change fund amount of \$3,350. We conducted a surprise count of the change fund and verified that it was intact and maintained at the authorized balance. We found that the change fund was \$51 short of the authorized amount. The change fund was properly safeguarded against loss or theft, and the funds were secured in a safe when they were not in use.

Findings and Recommendations

Finding 1: The change fund balance was \$51 short of the amount authorized by Mayor's Finance.

We found that the change fund at Solid Waste was \$51 short of its authorized amount. We performed a surprise count of the change fund and found that it totaled to \$3,299. However, Solid Waste's authorized change fund balance is \$3,350, indicating that the change fund was \$51 under the total amount that it should be maintained at.

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 5.2.2.1 states:

"Any unresolved shortages greater than \$10.00 shall be explained in writing to the Mayor, along with a request to approve reimbursement of the shortage"

Overages and shortages in cash collections can happen when a cashier counts back change incorrectly, or when some other type of error occurs during a cash sales transaction. At the end of each cashier's shift, the total cash collections are counted and then the original beginning change fund amount is deducted from the total amount of cash on hand. Any overages or shortages in cash collections should be reflected in the total amount deposited, not in the change fund balance. The total change fund amount should always be kept intact, and any discrepancies between recorded cash sales transactions and the actual cash on hand should be recorded on the monthly cash over/short log, required by Countywide Policy 1062.

Using a portion of the change fund to correct any discrepancies in the daily cash collections is inappropriate according to county policy and could provide an opportunity to conceal theft. Management at Solid Waste should review the proper procedures for balancing cash collections with their cashiers and emphasize that the change fund should always remain at its authorized amount.

Recommendation

We recommend that the change fund custodian prepare a letter to Mayor's Finance that explains the shortage in the change fund and request reimbursement of the shortage.

Cash Handling and Daily Deposits

Solid Waste accepts cash, check, and credit card payments for dump fees and compost sales. Countywide Policy #1062, "Management of Public Funds," outlines the proper procedures for receipting, recording, and depositing public funds, and defines the functions and responsibilities to establish and monitor internal controls over these procedures.

To determine if depositing procedures complied with countywide policies, we examined a sample of 30 days of deposits, for a total of 122 cashier deposits, to verify they were accurately recorded and accounted for. We analyzed deposit documentation to verify that the daily deposits balanced to the daily collections recorded in the point-of-sale ("POS") system, and that the daily deposit totals matched the deposit amounts that were listed on the bank statements.

We also examined voided transactions to ensure each one had been documented properly, and that a supervisor had reviewed and approved the void. However, during our review, we found that they were not properly reviewed.

We also reviewed cash over and short logs and found that cash overages and shortages were not adequately recorded as required by county policy. We also calculated the number of days between the receipt date and the date that funds were deposited at the bank, to verify that they were deposited within three days of receipt, as required by County policy and Utah state law.

We also performed walkthroughs of Solid Waste's daily cash collections and depositing processes to determine if there were adequate separation of duties. We found that there was adequate separation of duties to ensure that deposits were recorded accurately and to protect County funds against the risk of theft, loss, or misappropriation. Cashiers open and close the tills each day by counting and verifying the change fund on hand. They collect cash, checks, and credit card payments and post them to the POS system. Daily transactions are reviewed, and a deposit is prepared, which is then sealed in a tamper-proof deposit bag and locked in a safe. An armored car service collects the deposits daily, except weekends. The Fiscal Manager performs a reconciliation of the daily deposits to the bank statement each month.

Findings and Recommendations

Finding 2: Solid Waste employees were not using the MPF Form 7- Fund Transfer Ledger to document the transfer of the change funds to and from the safe.

We found that cashiers at Solid Waste were not utilizing an MPF Form 7, *Fund Transfer Ledger*, or similar form, to document each time they retrieved the change fund from the safe and returned the fund to the safe. Cashiers work 10-hour shifts and access the safe to retrieve or return change funds several times per day. Management also accesses the change fund several times a day to make change for the cashiers. In reviewing Solid Waste's daily cashing processes, we found that the movement of change funds to and from the safe are not logged every time.

Countywide Policy #1062, "Management of Public Funds," Section II.I.3 discusses the responsibility of employees to log the transfer of the funds:

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

The Scalehouse Supervisor stated that cashiers were too busy to document each time the change fund was retrieved from or returned to the safe, and that cashiers counting cash in the presence of a witness was sufficient. However, in our opinion, the current process at Solid Waste could be improved by having the cashiers document the count by completing an MPF Form 7, which would also bring them into compliance with county policy.

A Fund Transfer Ledger is a key internal control that helps minimize the risk of theft or loss of funds. Without a *Fund Transfer Ledger*, personal accountability for the change fund is not established, and the risk of theft or misuses of the change fund is increased.

Recommendation

We recommend that employees count the change fund and sign and date the MPF Form 7 "Fund Transfer Ledger," or similar log, to document each time the change fund is retrieved from or returned to the safe.

Finding 3: Cashier supervisors were not reviewing and reconciling individual cashier balance sheets to deposit slips at the end of each cashier's shift.

We reviewed a sample of 30 days of deposits, to determine whether supervisors reviewed the deposit documentation prepared by cashiers. We found that cashier supervisors at Solid Waste were not reviewing the individual cash balance sheets and reconciling them to the deposit slips at the end of each cashier's shift.

We noted that cashiers would count and reconcile their own daily receipts and collections at the end of their shift, and then prepare an individual cash balance sheet to record the amounts received and

collected. Then each cashier would prepare his or her cash and check deposit and place it in a sealed tamper-proof deposit bag, and into the safe for pick up.

However, cashier supervisors were not reviewing the cash balance sheets to ensure that all cash and check collections received were being deposited in the bank. The following day, management would compare the amounts on the individual cashier balance sheet to a point-of-sale system report and verify accuracy.

Countywide Policy #1062, "Management of Public Funds," Section IIV.B.1 and IV.B.2 states:

"The 'Master' balance sheet, as discussed in Section 3.8.1.2, shall correspond and reconcile to the daily deposit and show the:

- Agency Name*
- Total Amount of Currency and Coin, by Denomination*
- Total Amount of Checks*
- Total Amount of the Deposit*
- Deposit Preparation Date*
- Sealed Deposit-Bag Number (if applicable)...*

The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

The Scalehouse Supervisor stated that a second review was not being performed due to the lack of available supervisors to complete the review the same day. On Saturdays, a supervisor is not present.

In our sample of 30 days, we reviewed 122 cash balance sheets and the corresponding bank deposits. We found in those 122 bank deposits that there was \$450 less cash deposited in the bank than total cash collections shown on point-of-sale system reports and cash balance sheets. Performing a same-day review of cashier deposit preparation is an important control for detecting and correcting over and under amounts and other balancing errors. Without a review of deposit slips to individual cash balance sheets, there is a risk that County funds may not be deposited in the bank, and provide an opportunity for theft.

Recommendation

We recommend that a supervisor, or other designated employee, perform a review and reconciliation of the individual cash balance sheet to the bank deposit slip at the end of each cashier's shift and sign the individual balance sheet as an indication of review as required by County policy.

Finding 4: Cash overages or shortages were not properly recorded on MPF Form 11 Cash Over/Short Log or similar form as required by Countywide policy.

We reviewed a sample of 122 daily cash balance sheets from 30 days of deposits during the audit period. We found the sample of daily deposits contained 64 overages or shortages. We discovered that 20 of the 64 (or 31%) overages or shortages were not recorded on MPF Form 11, Cash Over/Short Log, or similar form. In addition, we found that seven of the overages or shortages that were recorded on the *Cash Over/Short Log* were incorrect compared to the corresponding daily cash balance sheets. Cashiers had recorded the wrong amount on the *Cash/Over Short Log*, and cashier supervisors had not detected or corrected the errors.

Management at Solid Waste explained that one of the causes for the discrepancies was the cash drawer balancing process that had been in place. From January to March of the audit period, overages or shortages were recorded on the individual daily cash balance sheets. Cashiers did not record any cash overages or shortages on a separate log such as the MPF Form 11 *Cash Over/Short Log*.

During this time, management did not permit cashiers to see a copy of the z-tape when cashiers performed the closing count for their cash drawer. Any cash overages or shortages were not recorded until the following day when management would reconcile the z-tape to the cashier's cash count. If an overage or shortage was calculated, management would ask the cashier to document the overage or shortage on the individual daily cash balance sheet.

We noted that beginning in April of the audit period, management had implemented the process of recording cash overages or shortages on the MPF Form 11 *Cash Over/Short Log*, but similar problems persisted such as cashier signatures were missing, and the recorded overages/shortages were inaccurate and did not agree with the overages/shortages on daily cash balance sheets.

Countywide Policy #1062, "Management of Public Funds," Section V.C.1 states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log. . .The MPF Form 11, for each Cashier, shall be signed by the Cashier's immediate supervisor."

We noted from our review of 122 daily cash balance sheets for 30 business days there was \$450 less deposited in the bank than was shown on the point-of-sale system reports. Without an over/short log for each cashier that is reviewed by his or her immediate supervisor, it is difficult to assign individual accountability and detect any trends which may indicate theft or fraud. The MPF Form 11 *Cash Over/Short Log*, provides a means for cashier supervisors to easily identify unusual patterns, or an excessive number of cash overages or shortages that can be attributed to a specific employee and initiate corrective action.

Recommendation

We recommend that cashiers at Solid Waste Management record all cash overages or shortages from their individual cash balance sheets daily onto an MPF Form 11, Cash Over/Short Log, or similar form, as required by Countywide Policy.

Finding 5: Management at Solid Waste did not consistently review and approve voided sales transactions.

We identified 180 voided sales transactions in a sample of 30 days of daily cash receipts and bank deposits. We found that management had not reviewed and approved 32 of the 180 voids in the audit sample.

Throughout the workday, cashiers document voids in the POS system with a typed explanation for the void. A printed copy of the voided receipt is included with the daily deposit paperwork for the cashier's supervisor to review. The following day, management prints the POS transaction report and reviews the voided transactions. The reviewer initials next to each void on the POS report as an indication that the void has been reviewed and approved.

Countywide Policy #1062, "Management of Public Funds," Section G (3) states:

"A Cashier Supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the Cashier who initiated the void. All voided Receipts will be attached to the daily cash balance sheet for audit purposes."

The Scalehouse Supervisor stated that management lacked the time to review and approve voided sales transactions as they occurred, or to perform a review of voided transaction documentation at the end of a cashier's shift. The current review and approval process for voids does not happen until the following day, or sometimes later, which could cause confusion or a lack of specific knowledge about a voided transaction that happened the day before or several days prior.

Having a supervisor review and authorize all voided transactions is a key internal control designed to deter and prevent employee theft. For example, if an employee receives cash in a sales transaction and then voids the sale, the employee can easily conceal theft if the voided transaction is not properly reviewed and approved by management. Therefore, it is critical that management at Solid Waste make every effort to review and approve all voids to prevent and/or detect theft.

Recommendation

We recommend that management review and sign as an indication of review all voided transaction receipts and reconcile those receipts to the POS report to ensure all receipts have been included with the daily cash balance sheet.

Finding 6: A net total of \$15,494 in credit card sales transactions were not recorded in the point-of-sale system during 2018.

During the audit, we discovered an unresolved difference of \$15,494 between the daily credit card payment settlement reports and daily credit card sales amounts recorded in the POS system during 2018. The net variance amounts per month are shown in Table 1, below (amounts rounded to nearest dollar).

During the first half of 2018, Solid Waste was having issues with the credit card processing software that caused inadvertent double charging of credit card sale transactions. The problems with the credit card processing; however, did not affect the POS software, meaning that the POS sales were not double counted if a credit card was inadvertently charged multiple times. Management determined that the large variances in the first half of the year were primarily due to this issue.

Upon discovering the issue, they immediately began working with software vendors and County IS to resolve the issue, and by June the problem was resolved. However, SWM did not quantify the total amounts attributed to this specific issue versus amounts attributable to other issues, such as cashier over/under amounts. Refunds for the inadvertent double charge of a credit card sale transactions were issued only when requested by customers, and the remaining over-charged amounts were otherwise not resolved.

Additionally, we noted from the 30 days of deposit documentation we selected for review, there were variances between deposit slips and z-tapes; deposit slips and bank statements; and z-tapes and bank statements.

Table 1. Monthly Variances in Credit Card Sales in 2018. *The net variance amounts per month (amounts rounded to nearest dollar) between credit card settlement amounts and amounts per the point-of-sale (POS) reports. Solid Waste had a total variance of \$15,494 for 2018.*

Month	Variance - Over/(Under)
January 2018	\$2,819
February 2018	\$1,279
March 2018	\$4,150
April 2018	\$4,809
May 2018	\$1,450
June 2018	\$745
July 2018	\$236

August 2018	(\$325)
September 2018	\$241
October 2018	\$25
November 2018	\$26
December 2018	\$39
Net Total	\$15,494

Countywide Policy #1062, "Management of Public Funds," Section V.C.1 and V.C.2 states:

"When a significant Shortage or a pattern of Shortages occurs in the accounts of any Cashier, County Agency Management shall conduct an investigation of the circumstances and report their findings to the Auditor's office..."

"When an Overage can be identified through a particular transaction, appropriate steps should be taken to refund the Overage..."

Issues with the credit card processing software caused inadvertent double charging of credit card sale transactions. Solid Waste over-collected \$15,494 in 2018 and cannot provide the details for that amount. Reliable and accurate accounting records should be maintained to properly account for revenues and liabilities, to allow for resolution of misstatements and errors, and to ensure the financial position of the agency can be accurately and completely assessed.

Recommendation

We recommend that management investigate and resolve the overages/shortages found in reconciliations.

Capital and Controlled Assets

Our audit included an examination of capital and controlled asset management at Solid Waste. Countywide Policy #1125, *"Safeguarding Property/Assets,"* establishes the policies and procedures for the proper management of County capital (or "fixed") and controlled (or "expensed") assets, including procedures for safeguarding, accounting for and disposing of those assets.

Countywide Policy #1125, *"Safeguarding Property/Assets,"* states that a capital asset is an individual item with an estimated useful life of greater than one year and a cost equal to or greater than the capitalization rate, which is currently \$5,000. Capital assets are recorded in the County financial system

and monitored by the Mayor's Office of Financial Administration (Mayor's Finance"), in addition to the agency where the asset is located.

We obtained a copy of Solid Waste's fixed and controlled asset inventory lists but found that the date of the last asset inventory was not recorded. Solid Waste had a total of 232 assets classified as fixed assets on their fixed asset list. We selected a sample of 34 fixed assets out of the total 232 assets on the fixed assets list and verified that they were on-site and that an asset ID tag was affixed and accurate.

Countywide Policy #1125, "Safeguarding Property/Assets," states that a controlled asset is personal property items having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft or conversion to personal use.

Solid Waste had approximately 500 items listed on the controlled asset inventory list. We selected a sample of 30 controlled assets out of the approximately 500 controlled assets listed. We were able to locate 29 of the 30 controlled assets. We also selected nine items at the Solid Waste that we determined fit the definition of a capital or controlled asset and verified that eight of the nine assets were recorded on the appropriate asset inventory list and confirmed the item descriptions were accurate. We found that a Dell monitor had not been accounted for on Solid Waste's controlled asset list.

The designated property manager at each County organization has the responsibility to account for all fixed or controlled assets within the organization's operational and physical custody. When assets are disposed of, transferred out, or removed from a County organization, the designated property manager at the organization is required to complete a Form PM-2, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale Form," to document the disposal or transfer of the asset. This form describes the asset that is being removed or transferred, its condition, and how it was disposed of, if applicable. Each Form PM-2 should be reviewed and authorized by management. We traced 16 disposed assets to a Form PM-2. We found that while the forms had been properly completed, the items had not been removed from the asset lists.

Findings and Recommendations

Finding 7: The Property Manager at Solid Waste was not using the *Controlled Assets Inventory Form – Employee*, or similar form, as required by Countywide Policy.

We found that the Property Manager at Solid Waste was not using the *Controlled Assets Inventory Form – Employee*, or similar form, to manage and track controlled assets that had been assigned to specific employees. We determined that there were at least 12 Solid Waste employees with offices or cubicles that had controlled assets that were used by and readily assignable to them.

Countywide Policy #1125, "Safeguarding Property/Assets," 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. . . Exhibit 3 - 'Controlled Assets Inventory Form -Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The current Property Manager at Solid Waste stated she was not aware of the requirement to use the Controlled Assets Inventory Form – Employee to track controlled assets that had been assigned to a specific employee, as stated in Countywide Policy 1125.

The forms establish personal accountability for the assets that have been assigned to specific Solid Waste employees, so that there can be better management oversight over those controlled assets. Management at Solid Waste should assist the Property Manager with implementing the use of the forms as soon as possible.

Recommendation

We recommend that the Property Manager implement the use of the *Controlled Assets Inventory Form – Employee*, or similar form, for all assets that are readily assignable to a specific employee, and have those employees verify the accuracy of the list by signing and dating the forms at least annually.

Finding 8: The Property Manager at Solid Waste had not added a capital asset costing \$37,460 to the capital asset inventory.

We examined the details of all expenditures that Solid Waste had made during 2018 to identify assets that had been purchased throughout the year. We reviewed all asset purchases over \$5,000 to determine whether they had been appropriately capitalized on the County's accounting records and included on Solid Waste's capital asset inventory list.

We identified 19 asset purchases made during the audit period. We verified that 18 of the 19 assets were properly identified on Solid Waste's capital asset inventory list. However, we identified one large capital asset purchase made during 2018, a set of Purcell Tires costing \$37,460, that was not listed or identified on the capital asset inventory list.

Table 2. Missing Asset from Capital Asset List. *We found one asset acquisition that was not added to the capital asset listing.*

Missing Asset from Capital Asset List					
Journal ID	Date	Account	Voucher	Line Description	Amount
APACC28824	11/19/2018	137005	00301977	Purcell - Tires	\$37,460.13

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.8 states:

"Coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established, and capital assets are tagged and capitalized. Assist the Auditor's Office as requested in recording capital assets, etc."

We inquired with the Mayor's Office of Financial Administration ("Mayor's Finance") about the purchase and whether they had any records of the expenditure for the set of tires, and if Solid Waste had gone through the proper procedures to add them to their inventory list of fixed assets. We were told that Mayor's Finance had advised Solid Waste on May 14, 2019, that the tire purchase should be capitalized and that the tires should be depreciated separately.

The Fiscal Manager at Solid Waste stated that the reason the tire purchase was not included on the fixed asset inventory list was because they were missing a PM-1 Form from the purchase of the tires. As a result, the tires, with an original cost of \$37,460.13 were not tracked properly on Solid Waste's capital asset inventory list.

Keeping current and accurate capital asset inventory records is a key internal control designed to protect County assets against theft, loss, and misuse. When capital assets are not recognized and added to the inventory list in a timely manner, it increases the risk that they could be lost, or even stolen, without being detected by management.

Recommendations

- A. We recommend that the Property Manager at Solid Waste add the Purcell tires to the capital asset inventory list and record the details of the acquisition date, purchase price, and capital asset ID tag number, as soon as possible.
- B. We recommend the Property Manager at Solid Waste implement specific procedures to follow any time that an asset is purchased and add all capital assets to the inventory list immediately upon purchase.

Purchasing Cards

Solid Waste has five employees with County-issued purchasing cards ("p-cards"), but only two cardholders had made purchases during the audit period. Countywide Policy #7035, "*Purchasing Cards Authorization and Use*," establishes guidelines for the acquisition and proper use of p-cards, including ensuring proper segregation of duties, allowable and unallowable purchases, establishing credit limits, record keeping and reconciliations and what to do if the card is lost or stolen. We examined p-card transactions made by Solid Waste employees. This included verifying that the cardholders attended County-mandated p-card training, kept their assigned p-cards secured, and maintained receipts and purchase documentation.

We examined a sample of 118 p-card transactions made during the audit period of January 1, 2018 – December 31, 2018. We reviewed the p-card purchases for legitimate business purposes, transactions within authorization amounts, management review, agreement of receipts to card statements, and whether sales tax was paid on any purchases.

Findings and Recommendations

Finding 9: Purchasing cardholders did not retain invoices or receipts for all purchases.

We reviewed a sample of 118 p-card transactions from a total of 472 during the audit period. We examined the p-card purchase records and documentation to ensure that the transactions represented valid charges for a clear County business purpose, and that a receipt or invoice was retained by the cardholder for every purchase. We found 14 p-card transactions that totaled \$5,689 that did not have a receipt or invoice to verify that the purchases were for a legitimate County purpose.

We also noted that the p-card purchases were all made by the same employee.

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 6.6.1 states:

"Original itemized receipts showing the detail of the goods or services purchased shall be retained and maintained by the agency. The agency fiscal manager shall be provided with unrestricted access to the P-Card files."

Some of the purchases that were made were for amounts listed on a statement, and two others were for monthly charges for an Amazon Prime membership. When we questioned the purchasing cardholder about the remaining transactions that did not have an invoice or receipt showing what the purchases were for, he did not have an explanation as to why he did not have any receipts or some other kind of detailed records for the transactions.

Maintaining receipts showing the detail of the goods or services purchased is a key control for management to perform an adequate review of purchases. These records help ensure that transactions are accurately recorded and allocated, and that unauthorized purchases can be detected and corrected if they occur.

Recommendation

We recommend that purchasing cardholders retain copies of original receipts or invoices and supporting documentation for every purchasing card transaction and have the records readily available for inspection.

Conclusion

We appreciate the time spent by the staff at Solid Waste in answering our questions, gathering the necessary documentation and records, and allowing us access during our audit. The Solid Waste staff was friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Cc: Scott Baird, Department Director, Department of Public Works and Municipal Services
Jared Steffey, Fiscal Administrator, Department of Public Works and Municipal Services
John Ioannou, Director, Solid Waste Management Division
Jenneth Hampton, Administrative and Fiscal Manager, Solid Waste Management Division
Karen Shaeffer, Scalehouse Supervisor, Solid Waste Management Division

Agency Response

Agency Response Solid Waste Management			
Finding 1: The change fund balance was \$51 short of the amount authorized by Mayor's Finance.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that the change fund custodian prepare a letter to Mayor's Finance that explains the shortage in the change fund and request reimbursement of the shortage.	Agree	Draft a policy that will indicate how we will address the over or short for the day. This will also include auditing procedures. The custodian will prepare a letter to Mayor Finance explaining the shortage and request the \$51 to be transferred to our account.	9/16/2019
Finding 2: Solid Waste employees were not using the MPF Form 7- Fund Transfer Ledger to document the transfer of the change funds to and from the safe.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
We recommend that employees count the change fund and sign and date the MPF Form 7 "Fund Transfer Ledger," or similar log, to document each time the change fund is retrieved from or returned to the safe.	Partially Agree	At the beginning of the day, the scale house operators retrieve the vault amount from their individual safes. These amounts were counted the night before. Each scale house operator has access to their own vault and to no one else's. The supervisor does not have access to any of those vaults. Since the money was counted the night before and since only the scale house operator has access to the vault there is no need to count the funds in the morning when it is retrieved from the safe. There are occasions when we need to transfer a sum of amount (i.e. \$800 in \$5s and \$1s) from the change fund to a scale house operator (temporary custodian) in order to have change over the weekend when the supervisor or the backup are out of the office. We do fill out the MPF	8/1/2019

		<p>form 7 to document the transfer of the funds from the safe. The white copy is retained in the change fund vault.</p> <p>During the day when cash/change is being exchanged between the Scale House Operator and the Scale House Supervisor or the designee, the supervisor or the designee is documenting how much cash is being given and how much cash is being received. We just created an internal log to document the exchanges and is kept in the south scale house. This document shows the date, parties who exchanged the funds and the denominations exchanged.</p>	
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Finding 3: Cashier supervisors were not reviewing and reconciling individual cashier balance sheets to deposit slips at the end of each cashier’s shift.

RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<p><i>We recommend that a supervisor, or other designated employee, perform a review and reconciliation of the individual cash balance sheet to the bank deposit slip at the end of each cashier's shift and sign the individual balance sheet as an indication of review as required by County policy.</i></p>	<p>Agree</p>	<p>As of August, the Scale House Supervisor verifies the bank deposit slips and reconciles the Scale House Operator's balance sheet at the end of each cashier’s shift. The yellow copy of the deposit slip should include the reviewer’s initial. We also started using the “Weighmaster Batch Summary Cash Out” report that compares the Weighmaster drawer totals with WasteWORKS batch totals and is being signed by the Scale House Operator and the Scale House Supervisor. This report also shows the cashier’s deposit and their vault amounts.</p>	<p>8/1/2019</p>

Finding 4: Cash overages or shortages were not properly recorded on MPF Form 11 Cash Over/Short Log or similar form as required by Countywide policy.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that cashiers at Solid Waste Management record all cash overages or shortages from their individual cash balance sheets daily onto an MPF Form 11, Cash Over/Short Log, or similar form, as required by Countywide Policy.</i>	Agree	At the end of each day, the Scale House Operator and the Scale House Supervisor will sit down and reconcile with the Weighmaster Batch Summary Cash Out report. The report will show the overage/shortage for each Scale House Operator and will be signed by both the operator and the supervisor. The over and short are also recorded in the MPF Form 11.	7/1/2019
Finding 5: Management at Solid Waste did not consistently review and approve voided sales transactions.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that management review and sign as an indication of review all voided transaction receipts and reconcile those receipts to the POS report to ensure all receipts have been included with the daily cash balance sheet.</i>	Agree	Solid Waste Management agrees that the Scale House Supervisor’s review should happen on all voided transactions. As of June, the Scale House Supervisor runs the voided ticket report daily and the reviews and signs all voided tickets. The Scale House Operator provides an explanation of why the ticket was voided and notate the replacement ticket.	6/1/2019
Finding 6: A net total of \$15,494 in credit card sales transactions were not recorded in the point-of-sale system during 2018.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that management investigate and resolve the overages/shortages found in reconciliations.</i>	Partially Agree	In 2017, Solid Waste Management switched to Open Edge as credit card processor and the only company at the time that could integrate with WasteWORKS. Ever since we switched, we had continued issues with WasteWORKS and Open Edge balancing. We have increased T1 lines, ran all new	12/2/2019

		wires, replaced the devices several times and replaced our desktop computers. We are working with Contracts and Procurement to obtain a viable solution for processing our credit cards as well as a web payment solution. We have discovered that Forte can also provide the web payment solution.	
Finding 7: The Property Manager at Solid Waste was not using the <i>Controlled Assets Inventory Form – Employee</i>, or similar form, as required by Countywide Policy.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Property Manager implement the use of the “Controlled Assets Inventory Form – Employee”, or similar form, for all assets that are readily assignable to a specific employee, and have those employees verify the accuracy of the list by signing and dating the forms at least annually.</i>	Agree	The Property Manager will start using the Controlled Assets Inventory Form - Employee and post the form in each employee's office and will obtain the signatures annually.	10/1/2019
Finding 8: The Property Manager at Solid Waste had not added a capital asset costing \$37,460 to the capital asset inventory.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>A. We recommend that the Property Manager at Solid Waste add the Purcell tires to the capital asset inventory list and record the details of the acquisition date, purchase price, and capital asset ID tag number, as soon as possible.</i> <i>B. We recommend the Property Manager at Solid Waste implement specific procedures to follow any time that an asset is purchased and add all capital</i>	Agree	A. The Property Manager will prepare the PM1 form and submit it to Mayor's Finance. There should also be a PM2 for disposing the old tires at the same time. B. The Property Manager will implement specific procedures to follow any time that an asset is purchased and add all capital assets to the inventory list immediately upon purchase.	9/3/2019

<i>assets to the inventory list immediately upon purchase.</i>			
Finding 9: Purchasing cardholders did not retain invoices or receipts for all purchases.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that purchasing cardholders retain copies of original receipts or invoices and supporting documentation for every purchasing card transaction and have the records readily available for inspection.</i>	Agree	Missing receipts were prior to the new Fiscal Manager's time. The new fiscal manager reviews the p-card receipts monthly. The cardholder will start scanning receipts and put them in the shared folder (K drive/Pcard folder).	9/3/2019