

Memorandum



CITY OF DALLAS

DATE April 12, 2013

TO Honorable Members of the Budget, Finance & Audit Committee:
Jerry R. Allen (Chair), Tennell Atkins (Vice Chair), Monica R. Alonzo,
Scott Griggs, Ann Margolin

SUBJECT **Landfill Audit and Internal Controls Update**

Attached is the Landfill Audit and Internal Controls Update briefing. This briefing will be presented to the Budget, Finance & Audit Committee on Monday, April 15, 2013.

Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'Forest E. Turner'.

Forest E. Turner
Assistant City Manager

Attachment

Cc: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Daniel F. Solis, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ryan S. Evans, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, Director, Controller's Office
Frank Libro, Public Information Office
Stephanie Cooper, Assistant to the City Manager – Council Office

Landfill Audit and Internal Controls Update

Budget, Finance and Audit Committee

April 15, 2013





Overview

- In September 2012, an audit of selected landfill financial controls was released by the City Auditor reporting eleven findings with recommendations
 - To date, substantial progress has been made for all findings
 - Sanitation Services has strengthened its Financial Management Division and worked closely with the City Manager's Office (CMO) Internal Controls Task Force to implement recommendations, as well as best practices

Status of Landfill Audit Findings

I. Landfill and transfer stations lacked physical safeguards to protect personnel, cash, and equipment

- Access at all locations is restricted to authorized personnel only and visitors must sign-in using a log book
- Checks are properly stored in a locked file cabinet
- Cash Handling Procedures have been updated and staff has received cash handling training
- Safe combinations and door security codes are changed quarterly and when personnel changes occur

Ongoing Action Item

- Camera upgrades for Scale Houses at McCommas Bluff Landfill and Northwest Transfer Station will begin in late Spring 2013
 - Upgrade will include additional cameras over cashier windows, audio recordings, and six months of data storage

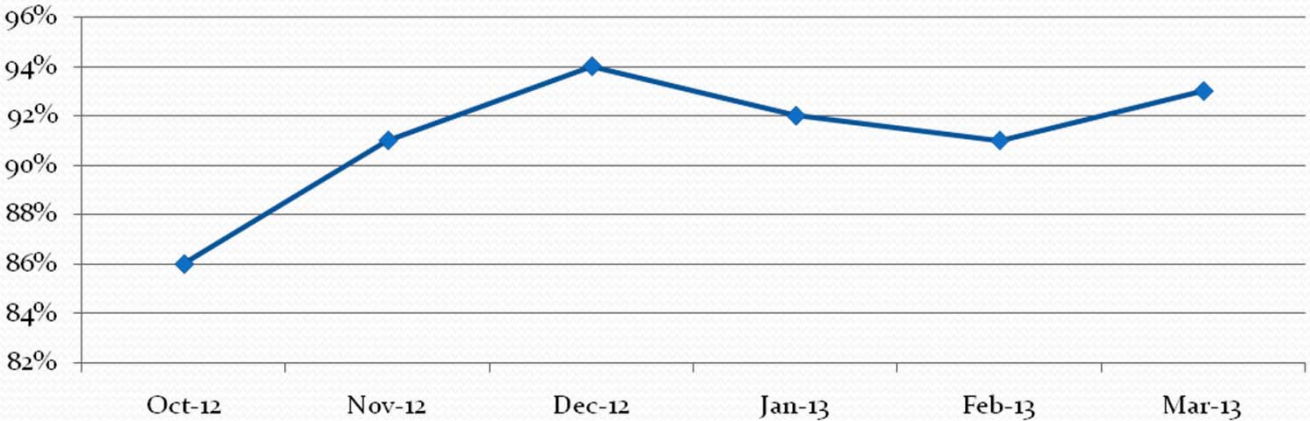
Status of Landfill Audit Findings

II. There were lack of controls over customer vehicle information which could result in lost landfill revenue

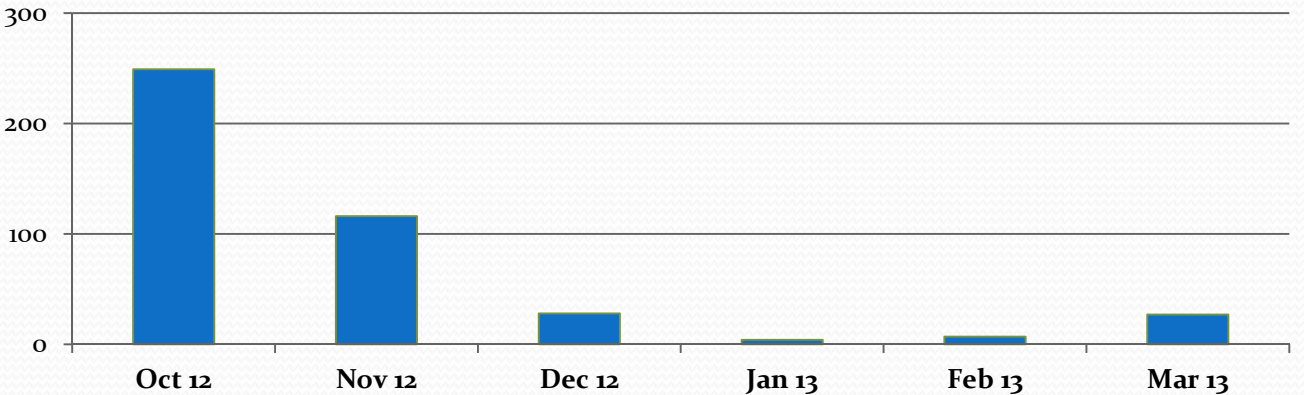
A. Credit customers

- Scale House staff checks vehicle information entered into self service kiosks by credit customers
- Customer Service Representatives (CSRs) have received training to identify company name, truck ID#, and container type/sizes
- WasteWORKS (billing system) was upgraded to print vehicle information on the Scale House receipts in order for CSRs to verify vehicle information

Percent of Vehicles Monitored for All Haulers – FY 2012-2013



Number of Vehicle Corrections for All Haulers – FY 2012-2013



Status of Landfill Audit Findings

II. There were lack of controls over customer vehicle information which could result in lost landfill revenue (continued)

B. Cash customers

- New Cash Customer Process was implemented on January 2, 2013
 - Cash customers apply for vehicle identification cards which identify their company, vehicle information and vehicle tare weights (eliminates manual tare weight entry)
 - CSRs input the vehicle number into WasteWORKS to access data needed to process transaction
 - Cash customers without vehicle cards are required to weigh in and out
- Manual tare entries for cash customers have decreased by 64% since January implementation.

Status of Landfill Audit Findings

II. There were lack of controls over customer vehicle information which could result in lost landfill revenue (continued)

Ongoing Action Item

- Sanitation Services plans to implement a Radio Frequency Identification (RFID) System at McCommas Bluff Landfill and the Northwest Transfer Station
 - Customers will be provided an RFID Tag (i.e. a toll tag) that will interface with the WasteWORKS System
 - The customer's company, vehicle information, and tare weight will automatically populate the CSRs WasteWORKS screen at the Scale House
 - RFID will streamline current processes, reduce manual entry and ensure all customers are charged appropriately.
 - Anticipate completion in FY2013-14



Status of Landfill Audit Findings

III. WasteWORKS (billing system) security was insufficient to prevent unauthorized access

- A majority of the active users have been reviewed and all changes will be completed by the end of April 2013 to ensure appropriate access
- A bi-annual process has been implemented to review all users in WasteWORKS to validate appropriate user access
- All changes to user set-ups requires the completion of a Security Access Form and approval by an Executive Manager
- All invalid user ID's have been eliminated

Ongoing Action Item

- By September 2013, WasteWORKS will be upgraded to automatically track changes to specified fields (user access, customer data, vehicle information, etc.)

Status of Landfill Audit Findings

IV. Segregation of duties was not adequate to detect errors and reduce fraud risks

- As of November 2012, CSRs and supervisory duties are properly segregated at Scale House Operations

Ongoing Action Item

- Segregation of duties for Administrative functions will be implemented as vacancies are filled
 - Additional management review has been put in place until positions are filled

Status of Landfill Audit Findings

V. Written policies and procedures were inadequate or not in accordance with City Administrative Directives

- Working with the CMO Internal Controls Task Force, Sanitation staff has updated the McCommas Bluff Landfill and Northwest Transfer Station processes for:
 - Daily Deposit Preparation
 - Acceptance of Credit Card Payments
 - Cash Handling Procedures

Ongoing Action Item

- By July 2013, Sanitation Services staff will work with the CMO Internal Controls Task Force to update or create processes for:
 - Accounts receivable adjustments
 - Administrative office segregation of duties
 - Security deposits
 - Credit customer application
 - Monthly reconciliations
 - Bank returned items/non-sufficient fund procedures

Status of Landfill Audit Findings

VI. Customer security deposit process did not provide adequate revenue protection for the City

- Process implemented to complete bi-annual security deposit review
- September 2012 review resulted in the collection of additional security deposits from 22 customers (\$1.4m)
- New credit customers are required to submit a \$1000 deposit and accounts are reviewed after 3 months

Ongoing Action Item

- By July 2013, Sanitation Services staff will work with the CMO Internal Controls Task Force to review and document the customer security deposit process

Status of Landfill Audit Findings

VII. Cash receipts and related activities were not properly reconciled

- Change funds are reconciled monthly to financial system

Ongoing Action Items

- By July 2013, Sanitation Services staff will work with the CMO Internal Controls Task Force to update and create reconciliation processes for:
 - Accounts Receivable
 - Bank returned items
 - Cash receipts
 - Security Deposits

Status of Landfill Audit Findings

VIII. Accounts receivable balances were not timely updated

- Monthly Journal Vouchers are completed to update the Accounts Receivable balance in financial system for monthly billing
- Customer payments are entered into WasteWORKS daily

IX. Accounts receivable adjustments were not properly documented and authorized

- The Executive General Manager reviews and approves all adjustments to customer accounts in WasteWORKS

Ongoing Action Item

- By July 2013, Sanitation Services staff will work with the CMO Internal Controls Task Force to update and create account adjustment processes

Status of Landfill Audit Finding

X. Bank deposits were not timely

- The City Controller's Office (CCO) has developed a draft request for proposal (RFP) for a new armored car service which is undergoing final review

XI. CCO was not timely recording and notifying departments of bank returned items

- CCO bank returned items was restructured to provide more timely recording and notification



Questions