



Internal Audit Committee of Brevard County, Florida

Internal Audit Review of

Solid Waste Management - Billing

**Prepared By:
Internal Auditors of Brevard County
October 30, 2002**

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October 30, 2002

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940-6699

Pursuant to the provisions of Section 125.01(1)(s), Florida Statutes, and the approved 2001/2002 internal audit plan, we hereby submit our internal audit report covering Solid Waste Management - Billing. We will be presenting this report to the Audit committee at the next scheduled meeting on January 29, 2003.

Our report is organized in the following sections:

Background	This provides an overview of Solid Waste Management Billing.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues and Recommended Actions	This section gives a description of the issues as well as the impact and recommended actions.

We would like to thank the Solid Waste Management Department and all those involved in assisting the Internal Auditors regarding this report on Solid Waste Management - Billing.

Respectfully Submitted,

INTERNAL AUDITORS

Background

Background

Responsibilities

The Solid Waste Management Department is responsible for the disposal of solid waste (garbage and yard waste) that is generated from households and commercial businesses in Brevard County. The Solid Waste Customer Service Division manages the financial aspects of the Department. The Division bills and collects for various services offered by the Department, including the following:

- Collection and disposal charges for garbage, yard waste, and recycling.
- Impact fees for new construction activities.
- Landfill usage charges not covered by annual special assessments.

Special Assessments

Under Florida Statutes, Brevard County has the responsibility and power to provide for the operation of solid waste management facilities to meet the needs of all areas of the County. The Board of County Commissioners has imposed a mandatory annual solid waste disposal special assessment upon each parcel of improved real property in the County to pay for the cost of operating a solid waste disposal system.

The Solid Waste Management Act of 1988 requires counties to develop and implement recycling programs within their jurisdictions to return valuable materials to productive use, to conserve energy and natural resources, and to protect capacity at solid waste management facilities. On June 20, 1989, the Brevard County Board of County Commissioners approved the Brevard County Recycling Plan. The Board has imposed:

- an annual collection and recycling program special assessment upon each unincorporated parcel of residential improved real property in the benefit unit for the curbside collection of solid waste and recyclable materials from the property, the transportation of the solid waste and recyclable materials to a solid waste management or recycling facility, and
- an annual special assessment upon each unincorporated parcel of commercial improved real property in the benefit unit for the implementation of the recycling plan adopted by the Board of County Commissioners.

The collection and recycling charge only applies to residents in the unincorporated areas of the county and the disposal charge applies to all residents.

On or before September 15th of each year, the Board of County Commissioners holds a public hearing for the purpose of adopting a schedule of annual rates, assessments and charges to be imposed for the ensuing fiscal year upon the owners of all residential and commercial improved property in both the unincorporated and incorporated areas of Brevard County. The annual assessments for the fiscal year are based upon the classification of the use of the property as specified in the rate resolution approved by the Board.

The annual rate resolution sets the number of billing units for the real property's classification. The Solid Waste Disposal Special Assessment is determined by multiplying the number of billing units for the property's corresponding classification by the applicable base billing unit. For fiscal year 2002, the applicable base rate for residential improved property was \$56.00 per billing unit per year, and the base for commercial improved real property was \$161.62 per billing unit per year.

To determine the Collection and Recycling Program Special Assessment for all improved real property within the unincorporated benefit unit, the number of billing units for the property's corresponding classification is multiplied by the applicable base billing unit as set forth in the resolution. For fiscal year 2002, the applicable base rate for residential improved real property was \$99.07 per billing unit per year. The base commercial improved real property was \$15.45 per billing unit per year for the recycling program only.

Background - continued

Individual Calculations

An individual calculation is used to determine the special assessments for the following commercial properties:

- Any commercial improved property which commences to use the facilities for the first time after October 1, 1998; or
- If there is not a commercial classification within the resolution that corresponds to the property's use and building size; or
- If the property has mixed commercial uses; or
- The County determines that the commercial property has a different use than that shown in the Brevard County Property Appraiser's records; or
- The owner of the commercial property can show that the commercial use classification which applies to the property is inequitable.

Once the individual calculation method is used, that calculation will control, regardless of any applicable classification under the resolution.

Improved property subject to an individual calculation of solid waste disposal and recycling program special assessments pay amounts equivalent to the appropriate category of commercial improved real property based upon an individual determination of the annual volume of solid waste generated by the particular parcel of improved real property. The individual determination of annual volume of solid waste is calculated based upon the size and type of the container used, or recommended for use, by the particular parcel of improved real property. For fiscal year 2002, the number of solid waste disposal billing units for each parcel of improved real property in this category was calculated by multiplying the individual determination of the estimated annual volume generated based upon \$2.21 per cubic yard for non-compacted containers, \$8.84 per cubic yard for compacted containers, or \$29.50 per ton. The commercial base rate of \$161.62 is multiplied by a modifier as established within the rate resolution. The number of recycling program billing units for each parcel of improved real property in the individual volume category was calculated by multiplying the individual determination of the estimated annual volume generated based upon \$0.19 per cubic yard for non-compacted containers, \$0.76 per cubic yard for compacted containers, or \$2.57 per ton. The minimum was one billing unit times the commercial base rate.

Each year, Solid Waste Management employees must research the level of service for each property in the individual calculation category and convert that information into billable units, which is the basis for inclusion of the assessment on the property tax roll. During fiscal year 2002, the department prepared approximately 4,600 individual calculations. It is the Board of County Commissioners intention to move all commercial properties from the square footage to the individual calculation method.

In addition, certain residential and commercial properties require a per unit calculation. Solid Waste Management employees must search the property appraiser's files each year for the number of units currently on the property, and if necessary, convert this to a billable rate, for inclusion on the property tax roll. During fiscal year 2002, the department prepared approximately 3,400 per unit calculations.

Prorated Special Assessments

The collection and disposal charges are included on the annual tax bill under non-ad-valorem special assessments. Special assessments prior to the initiation of the first full annual special assessments are prorated. Prorated special assessments are imposed against, and paid by the owners of all applicable improved real property for each remaining month of that fiscal year, beginning with the first full month the real property becomes improved real property, until October 1 of that fiscal year. The prorated special assessments are equal to one-twelfth of the annual special assessments imposed under the applicable rate resolutions, multiplied by the number of months remaining in the year prior to October 1.

Solid Waste Management calculates, bills, and collects these prorated assessments. For fiscal year 2002, Solid Waste Management billed \$1.041 million in prorated special assessments. Prorated special assessments are due and payable when issued, and become delinquent if not paid in full within 30 days after billing.

Background - continued

Solid Waste Impact Fee

The solid waste impact fee is a one-time charge to new homeowners or businesses to improve the solid waste facilities and make necessary expansions to keep up with the growth in the County. The Brevard County Code of Ordinances provides that the Board of County Commissioners hold a public hearing and adopt a rate resolution establishing a schedule of impact fees.

To determine the impact fee for all improved real property, the number of billing units for the property's corresponding classification set forth in the resolution is multiplied by the applicable base billing unit. For fiscal year 2002, the base for residential improved real property was \$160.00 per billing unit. The base for commercial improved real property was \$467.20 per billing unit.

The method that is used to calculate the solid waste impact fees for certain commercial properties is based upon an evaluation of comparable properties and the volume of waste generated at these properties. The improved real property pays an impact fee equivalent to the appropriate category of commercial improved real property based upon an estimated determination of the annual volume of solid waste generated by the comparable parcel of improved real property. For fiscal year 2002, the number of billing units for each parcel of improved real property in this category was calculated by multiplying the comparable method of the estimated annual volume generated based upon \$6.00 per cubic yard for non-compacted containers and \$24.00 per cubic yard for compacted containers. The minimum was one billing unit times the commercial base rate of \$467.20.

Unincorporated residential solid waste impact fees are assessed by the Land Development Division and collected by the Central Cashier in accordance with the rate resolution. Unincorporated commercial solid waste impact fees are calculated by Solid Waste Management and collected by the Central Cashier. Solid Waste Management is responsible for calculating incorporated commercial solid waste impact fees, and billing and collecting incorporated residential and commercial solid waste impact fees.

Landfill Accounts

The County operates the Cocoa and Sarno landfill sites. Residents are permitted to dispose of most waste free of charge. Landfill accounts are established for commercial businesses that bring in by-products from their businesses and for haulers who bring in new construction, demolition or renovation material generated within the County. Residential customers with chargeable waste or "one-time" commercial users must prepay prior to using the landfill.

As customers use the landfill, landfill gate tickets are generated based upon the type of waste and weight or volume of the waste. The landfill charges are reviewed daily by Solid Waste Management employees and adjustments are made to reverse certain charges. These reversals are made primarily because the customers are charged for the disposal through the annual solid waste disposal assessment. For fiscal year 2002, Solid Waste Management recorded landfill gate ticket sales in the amount of \$2.824 million and reversed \$1.206 million. Solid Waste Management is responsible for billing and collecting these landfill gate charges.

Security deposits (consisting of cash, surety bonds, and/or letters of credit) are required for landfill accounts except in the following circumstances:

- Commercial customers that have "no-charge" accounts (only non-chargeable materials such as yard debris),
- Customers in good standing as of October 1, 1990,
- "One-time" disposal accounts (i.e. one-time construction or one-time visit),
- Governmental agencies or their agents.

Solid Waste Management is responsible for calculating, billing, and collecting the required security deposit from the landfill customers. As of September 30, 2002, the security deposit balance was \$125,340.

Background - continued

Selected Statistics *

Solid Waste Management billings and collections for fiscal year 2002 were approximately:

	<u>Billings</u>	<u>Collections</u>
Prorated disposal assessments, prorated collection/recycling assessments, and incorporated impact fees	\$ 1,041,000	\$ 1,037,000
Landfill gate charges	\$ 1,670,000	\$ 1,552,000

Individual calculations prepared by Solid Waste Management for inclusion on the County's tax rolls for fiscal years 2002 and 2003 were approximately:

	<u>Disposal</u>	<u>Collection/Recycling</u>
FY 2002	\$ 4,060,000	\$ 136,000
FY 2003	\$ 4,892,000	\$ 169,000

Per unit calculations prepared by Solid Waste Management for inclusion on the County's tax rolls for fiscal years 2002 and 2003 were approximately:

	<u>Disposal</u>	<u>Collection/Recycling</u>
FY 2002	\$ 2,156,000	\$ 1,080,000
FY 2003	\$ 1,848,000	\$ 1,059,000

Annual solid waste disposal special assessments and annual collection and recycling program special assessments included on the tax rolls, including the individual and per unit calculations noted above, were approximately:

	<u>Disposal</u>	<u>Collection/Recycling</u>
FY 2002	\$ 18,608,000	\$ 8,461,000
FY 2003	\$ 19,509,000	\$ 8,716,000

* Amounts estimated from Solid Waste Management Department records (unaudited).

Staffing

Key personnel involved in Solid Waste Management - Billing function are as follows:

Name	Title
Euripides Rodriguez	Director
Alicia Khan	Finance Manager
Wendy Andrews	Accountant II
Clyde Madison	Special Projects Coordinator II
Pauline Simpson	Accountant I
Doris Marlowe	Accounting Technician
Diane Hawthorne	Accounting Technician
Cheryl Brown	Accounting Clerk
Mandy Guppenberger	Support Staff
Tom Watson	Support Staff

Objectives and Approach

Objectives and Approach

Objectives

The internal audit objectives in Solid Waste Management - Billing include the following:

<input type="checkbox"/>	Determine whether solid waste disposal, collection, and recycling fees are being assessed in accordance with County policies and regulations.
<input type="checkbox"/>	Verify the accuracy of prorated billings and individual calculations.
<input type="checkbox"/>	Verify appropriate solid waste assessments are included on tax bills.
<input type="checkbox"/>	Verify procedures are in place to ensure information received from the landfill is complete and accurate, and landfill usage fees are billed and collected in accordance with County policies and regulations.
<input type="checkbox"/>	Determine whether landfill security deposits, surety bonds, or letters of credit, are calculated and collected in accordance with County policies and regulations.
<input type="checkbox"/>	Verify landfill and prorated accounts receivable are reconciled and discrepancies, if any, investigated in a timely manner and the reconciliation process contains adequate control procedures.
<input type="checkbox"/>	Determine whether the billing, cash receipts, reconciliation, and preparation of journal entry functions are adequately segregated.
<input type="checkbox"/>	Determine that procedures are in place to follow-up on past due billings and that liens are filed in a timely manner.
<input type="checkbox"/>	Determine that policies and procedures are in place to assure that impact fees are being calculated, assessed, and collected in accordance with County policies and regulations.
<input type="checkbox"/>	Determine that physical controls over cash receipts are adequate.
<input type="checkbox"/>	Determine if procedures for cash receipts, deposits, and related reconciliations include adequate control procedures to assure that cash receipts are safeguarded from loss and misappropriation.

Approach

Our audit approach consisted of four phases:

Understanding and Documentation of Process

During phase one, we held an entrance conference with Euripides Rodriguez, Director, Alicia Khan, Finance Manager, and Wendy Andrews, Accountant II, to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We then met with other employees of the Department and documented their role in the process.

Population and Sample Determination

Transactions were selected from multiple populations in order to obtain samples of (1) residential and commercial impact fee assessments, (2) annual residential and commercial solid waste assessments, including commercial individual calculations, (3) prorated residential and commercial solid waste disposal/collection/recycling billings, (4) solid waste landfill gate billings, (5) landfill account security deposits, and (6) receipts. Our testing encompassed the period from October 1, 2001 through September 9, 2002.

Objectives and Approach (continued)

Detailed Testing

The purpose of this phase was development of applicable tests based on our understanding of the process. Our procedures included observation and inquiry, walk-throughs, and testing of individual transactions. Our testing included, but was not limited to, reviewing individual receipt transactions, gate tickets, reconciliations, physical safeguards over assets, system and procedural controls, verification of solid waste impact fee and disposal/collection/recycling fee assessments in accordance with applicable fee schedules, security deposits, compliance with documented procedures, efficiency and effectiveness of policies and procedures, and timeliness of deposits.

Reporting

During this phase, we summarized our findings related to the Billing function, based on our detailed testing, into a report format.

Issues and Recommended Actions

Issue # 1	Segregation of Duties
	<p>Our review of the billing function indicated that a proper segregation of duties was not always maintained.</p> <p>Individuals responsible for the landfill gate receivables, security deposits, prorated assessment receivables, and impact fee assessment receivables were, under certain circumstances, given access to customer's payments prior to the recording of the receipt by the support staff employee responsible for the cashiering/receipting function.</p> <p>We also noted that these employees provided "back-up" coverage for the cashiering/receipting function, resulting in their handling of receipts related to the accounts receivable records under their control.</p> <p>The Department's procedures segregate the responsibility for processing cash receipts from the deposit function; however, these two positions act as "back-up" coverage for each other, which defeats the control purpose of the segregation of these duties.</p> <p>Impact</p> <p>A fundamental concept of internal control is that no one department or person should handle all aspects of a transaction and that no one individual should perform more than one of the functions of authorizing transactions, recording transactions, and maintaining custody over the assets. Without the proper segregation of these duties, it is possible for errors, misappropriation of assets, or other types of fraud to occur and not be detected within a timely period by employees in the normal course of performing their assigned duties.</p> <p>Recommended Action</p> <p>We recommend that copies of checks be provided to accounts receivable personnel rather than the actual checks. In addition, we recommend the Department assign "back-up" coverage for the cashiering/receipting function to an individual who is not responsible for the accounts receivable records nor deposit function.</p>
Management Response and Action Plan	
Response	The Department concurs with the finding and has implemented the auditors' recommended action.
Time Frame	December 6, 2002
Person Responsible	Alicia Khan

Issue # 2	<i>Electronic Fund Transfers</i>
	<p>We noted Solid Waste Management (SWM) did not record receipts from customers remitted by electronic fund transfers (EFT) in a timely manner. Per our discussions with SWM and County Finance Department staff, this was primarily due to the EFT not providing sufficient information to adequately identify the correct departmental recipient. Included in our testwork was a payment from a customer for \$10,683 that was credited to the bank account on July 30, 2002 and not posted to the departmental account until two months later.</p> <p>County Finance indicated that there was no formal method for identifying the recipient of these EFT remittances. Employees use various means such as:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Trying to match up the amounts received with copies of invoices or other information supplied to Finance by the recipient department, if any, or <input type="checkbox"/> Associating the time of the month that an EFT remittance was received to receipts in other months that had been identified with a particular department. <p><i>Impact</i></p> <p>The recording of payments on customers accounts are not being recorded timely, aged accounts receivable reports are therefore not correct, and the department is not getting credit for these receipts in a timely manner, thereby losing the associated earnings. In addition, the process of identifying the recipient is inefficient and prone to error, and these unidentified receipts remain as reconciling bank items until posted to the correct account.</p> <p><i>Recommended Action</i></p> <p>EFT transactions do include certain identifying information. We recommend the Department and/or County Finance perform one or more of the following to enable them to adequately process the information that accompanies EFT transactions:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Review the information accompanying the EFT supplied by the bank to determine if each remittance from the same entity contains the same information. <input type="checkbox"/> Contact the bank and determine if the bank is providing the County with all of the information accompanying the EFT transaction, and if not, request that they do so. <input type="checkbox"/> Contact the customer and request an explanation of the information accompanying the EFT. <input type="checkbox"/> If the information supplied by the customer is not sufficient for the County's purposes, request that additional and/or different information be provided.
<i>Management Response and Action Plan</i>	
Response	The Department concurs with the finding and has provided a method to County Finance to identify those transfers belonging to this Department.
Time Frame	December 9, 2002
Person Responsible	Alicia Khan

Issue # 3

Adjustments to Landfill Accounts

A large number of adjustments are made to landfill tickets. For FY 2002, of the \$2.9 million of landfill gate tickets processed, approximately \$1.2 million, or 42%, of landfill gate charges were reversed through credit adjustments. Some customers qualify to use the landfill without a trip charge because the service is covered by a solid waste disposal assessment on their tax bill. Since the landfill attendant does not have access to the tax assessment information to determine if the service location qualifies for service under this “pays through assessment” category, the weigh ticket is coded as “solid waste billable.”

The landfills processed approximately 240,000 gate transactions. Actual gate tickets are not produced for all transactions. Based upon our sample population, we estimate:

- Approximately 113,000 actual tickets were printed.
- Of the printed tickets, approximately 31,000 were for transactions that were billable.
- Of the billable transactions, approximately 20% were adjusted.

Copies of the printed tickets are delivered daily from the landfills to the Solid Waste Management office and reviewed by employees. The process includes reviewing each ticket and separating out those coded as “solid waste billable” and any others that may need to be adjusted.

The service address on the ticket is used to search the property tax records to determine if an adjustment is necessary. The amount of the adjustment and the reason is written on the original ticket. The adjustments are verified and approved by a supervisory employee and then posted to Waste Works. In this program, adjustments are processed as tickets and an actual adjustment ticket is created. Approximately 6,000 adjustment tickets were processed during FY 2002.

A copy is made of the adjusted gate weigh ticket and attached to the adjustment ticket, and then filed. The original adjusted gate weigh ticket is filed in numerical order with the other unadjusted gate weigh tickets.

Impact

The adjustment process is time consuming and requires the original ticket to be handled multiple times, increasing the likelihood of it being lost, or misfiled. The process also requires multiple copies of the ticket and increased storage requirements.

Recommended Action

We recommend that a report be printed from Waste Works (the software program used at the landfill) of all tickets coded as solid waste billable and that this report be used to process adjustments, thereby reducing the need to handle individual tickets and the volume of paper in storage.

A long range recommendation would be to check with other counties to see how they are dealing with this issue and/or consider standardizing rates.

<i>Issue # 3</i>	<i>Adjustments to Landfill Accounts (continued)</i>
	<i>Management Response and Action Plan</i>
Response	<ul style="list-style-type: none"> • The Department concurs with the finding and has implemented a new process whereby a report is extracted from Waste Works into an excel spreadsheet on November 1, 2002. • The Department will present an option to the Board of County Commissioners to standardize the rates for construction activities.
Time Frame	September 30, 2003
Person Responsible	Alicia Khan

Issue # 4

Security Deposit Requirements

Per resolution No. 01-304:

Users, excluding customers in good standing as of October 1, 1990 and remaining in good standing and governmental agencies or their Agents, disposing of solid waste not included in the annual disposal assessment, land clearing debris, construction debris and Special Solid Waste at Brevard County's Solid Waste Disposal Facilities, shall provide a security deposit by depositing cash, a surety bond or a letter of credit with the Brevard County Comptroller's office in an amount sufficient to pay estimated charges for a period of two (2) months or as determined by the Director of Brevard County Solid Waste Management Department.

We noted the following related to security deposits:

- The required security deposit is being calculated using the current receivable balance per the aged trial balance report and not monthly charges.
- The informal policy is to calculate all accounts at least every six months. Time permitting, the requirement is calculated every month. At the time of our audit, the last analysis had been performed in March 2002.
- The procedure used to gather the information to calculate the requirement is dependent upon the manual input of data into a spreadsheet, is subject to human data entry error, and is inefficient.
- If the calculated deposit requirement is determined to be less than the security deposit on hand, no effort is made to refund the excess.
- The term "in good standing" is subjective and not defined in the Resolution.
- We were not able to satisfy ourselves that accounts without deposits met the requirement of "in good standing as of October 1, 1990," due to the lack of adequate records to support this claim.
- We received conflicting information from Departmental employees as to whether the determination of "in good standing" actually occurred as of October 1, 1990 or whether a later date was used, and whether the procedures used at either point of time were adequate to support the "grandfathering in" of "no deposit" accounts as allowed by the Resolution.
- We were told that the former director established a \$200 minimum deposit requirement, but this amount has not been documented as an official Departmental policy.
- We selected a sample of accounts and estimated the required security deposit based upon the monthly charges for the period from March through August 2002. Our test results indicated that some accounts had deposits that were significantly greater than or less than the calculated requirement.
- Projecting the results of our testwork to the population, our estimated required security deposit, calculated in accordance with the Resolution, would be greater than the landfill gate accounts receivable balance as of August 31, 2002.

We also noted that the very few landfill gate accounts were over 90 days old as of August 31, 2002, only five accounts were in collection, and no accounts were written off in FY 2002.

Issue # 4	Security Deposit Requirements (continued)
	<p>Impact</p> <p>Security deposits are not being collected from customers in accordance with the Resolution.</p> <p>Recommended Action</p> <p>We recommend that the County review its policy regarding the requirement for security deposits. Due to the fact that the Resolution, as it is written, is difficult to interpret and apply, and the security deposits required by the Resolution may be excessive based upon the current status of the accounts receivable balance, we recommend that security deposits not be required for any account meeting the following conditions:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The account has been in existence for a specified period of time (time period to be determined by Solid Waste Management and specified in the Resolution), <input type="checkbox"/> The account is “in good standing” at that time (with the term “in good standing” being defined in the Resolution), and <input type="checkbox"/> The account remains “in good standing.” <p>All other accounts would be required to have a security deposit equal to at least two months charges, with a minimum security deposit balance specified in the Resolution.</p> <p>In order to facilitate the calculation of security deposit calculations, we recommend Solid Waste Management:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Investigate the feasibility of utilizing software programs for capturing the required revenue information from Waste Works and security deposit information stored in Access, and <input type="checkbox"/> Recalculate the security deposit requirement only once a year, refunding excess deposits, and invoicing customers for calculated shortages.
Management Response and Action Plan	
Response	<p>The Department concurs with the finding and will implement the recommendations as follows:</p> <ul style="list-style-type: none"> ◆ Accounts in good standing and in existence for more than five years would be eligible for reimbursement of the security deposit ◆ Good Standing is to be defined as making payments within 60 days ◆ Recalculation of security deposits would occur once a year ◆ Governmental agencies or their agents would continue to be exempt from this requirement
Time Frame	Will be presented to the Board of County Commissioners for approval by September 30, 2003
Person Responsible	Alicia Khan

Issue # 5	Recording of Liens
	<p>Sections 94-236 and 94-260 of the Code of County Ordinances state that prorated special assessments and solid waste impact fees are due and payable when issued and become delinquent if not paid in full within 30 days. All delinquent prorated special assessments and solid waste impact fees constitute liens against the real property against which they have been imposed. Such liens may be recorded at any time after the assessment or lien is created. Per Resolutions No. 01-304, 01-306, and 01-308, effective October 1, 1999, simple interest will accrue at the rate of 18% annually for any recorded lien against commercial real property beginning on the date of the lien.</p> <p>Our testwork indicated that Solid Waste Management (SWM) has only recently completed the recording of all liens for assessments and impact fees billed through 1999. According to the Department, the process of recording liens has been hampered by software problems.</p> <p>Since liens have not been recorded timely, properties have been sold where the unrecorded liens have not been identified. Therefore, while preparing the list of properties to be lienied (in this catch up process), departmental employees review all properties that have been sold, and extend the time in which to pay the delinquent assessment or impact fee on these properties.</p> <p>In addition, in order to make title companies aware of unrecorded liens, SWM sends a certified letter (return receipt requested) each year to all known title companies requesting that they verify with SWM that each property to be sold does not have a unrecorded lien. Similar letters are sent to all County managers and building officials. We were told that the department receives numerous calls daily regarding this check for unrecorded liens.</p> <p>Impact</p> <p>Not recording the liens allows properties to be sold without the collection of the delinquent assessments and impact fees, creates additional work for the Department sending out letters and responding to phone calls, increases the likelihood that these assessments and fees will never be collected, slows down the collection process, places an additional financial burden on unsuspecting purchasers of the property, and reduces income since interest only accrues on recorded liens on commercial properties.</p> <p>Recommended Action</p> <p>We recommend the department implement procedures to record all liens in a timely manner.</p>

<i>Issue # 5</i>	<i>Recording of Liens (continued)</i>
	<i>Management Response and Action Plan</i>
Response	The previous lien system was developed by Information Systems in 1995. This system did not meet the Departments needs and required programmer intervention during each lien process. Furthermore, this program was not Y2K compliant. A new version/upgrade was requested in 2000. A new program was developed in 2002 and liens were recorded for all outstanding prorated assessments for the years 1998 and 1999 in July and August 2002, respectively.
Time Frame	March 2003 for 2000 and 2001 billing years
Person Responsible	Alicia Khan

Issue # 6	Mail Receipts
	<p>Most of the Department's receipts are received through the mail. We noted the following issues:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The employee opening the mail does not run a calculator tape of the total receipts. <input type="checkbox"/> Checks received without a remittance advice are given to the employees responsible for the accounts receivable ledgers and billings. <input type="checkbox"/> The receipts are not processed when received; rather, the checks are kept in a locked filing cabinet until processed later in the day. <input type="checkbox"/> The keys to the locked cabinet are not kept in a secure location. <input type="checkbox"/> If the employee responsible for posting these transactions is out for the day, the receipts may be held overnight until she returns. <input type="checkbox"/> Checks were not always locked up or secured when not being processed. <p>Impact</p> <p>Good internal controls require that immediate control over mail receipts be accomplished. Mail receipts should be logged and processed as soon as possible, and deposited daily. If this is not done, receipts could be lost or misappropriated.</p> <p>Recommended Action</p> <p>We recommend that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The employee opening the mail, run a calculator tape of the receipts, distributing a copy with the remittance advices to the employee processing the payments, a copy to the supervisor, and retaining a copy. <input type="checkbox"/> Mail receipts be processed as received. <input type="checkbox"/> Checks be processed and deposited daily. <input type="checkbox"/> As noted in Issue # 1, copies of checks received without remittance advices should be given to accounts receivable employees rather than the original check.
Management Response and Action Plan	
Response	The Department concurs and has implemented the recommendations.
Time Frame	December 6, 2002
Person Responsible	Alicia Khan

Issue # 7	Waste Works Issues
	<p>Waste Works computer terminals are identified by site location numbers. We noted tickets with site numbers that were not assigned to actual locations. The program automatically assigns the site location to the transaction, but employees can type over this pre-filled field. It appears an employee may have unintentionally typed in this field. Once a “site” number was entered, the program automatically assigned sequential ticket numbers to succeeding transactions.</p> <p>We noted the addresses being printed on adjustment tickets do not correspond to the service addresses on the original tickets. It appears the program fills in the address field automatically. Therefore, the adjustment ticket does not properly identify the service location that qualifies for the adjustment due to “paying through assessment.”</p> <p>We noted duplicate ticket numbers that were caused by the backup computer being set to indicate that it was the site location of the primary computer at the Cocoa landfill site. Solid Waste Management employees do not know how this “resetting” of the system occurred, or whether it was accidental or intentional.</p> <p>The landfill gate aged receivable trial balance shows credit balances in the 0-30 day column, while past due balances appear in the 30-60 days, 60-90 days, and/or over 90 days columns. We have been told this occurs since the system processes adjustments as tickets, and these adjustment transactions are then “aged” along with the gate tickets. Due to the manner in which the program has been set up, the adjustment cannot be applied directly to the related gate ticket.</p> <p>Impact</p> <p>A proper audit trail is not being maintained if incorrect site locations and service addresses are being recorded by the system. If the site location can be changed without authority or without leaving a documented record that it occurred, the integrity of the system itself is in question. What else can be changed, and by whom?</p> <p>If adjustments are not processed against the original charge balance, the aged accounts receivable report is not correct and does not provide adequate information regarding the status of accounts receivable without additional manual manipulation of the data, which is inefficient.</p> <p>Recommended Action</p> <p>We recommend Solid Waste Management (SWM) contact the software vendor to determine the feasibility of making changes to the program that would:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Write protect the site location field on the input screen for adjustments, and <input type="checkbox"/> Eliminate the inclusion of the erroneous service location on the adjustment ticket.

Issue # 7	Waste Works Issues (continued)
	<p>Recommended Action (continued)</p> <p>We recommend SWM discuss with the vendor the aged trial balance issue to see if any program enhancements have been made since implementation that could fix this “aging” issue.</p> <p>In addition, we recommend the Department</p> <ul style="list-style-type: none"> <input type="checkbox"/> Implement internal control procedures to ensure the integrity of data input and limit access to software settings. This could include additional review procedures, access control logs, and/or monitoring reports. <input type="checkbox"/> Inform the software manufacturer of program issues/changes for possible inclusion in future upgrades. <input type="checkbox"/> Investigate system changes that would allow landfill site locations to process transactions in “real-time.”
Management Response and Action Plan	
Response	<ul style="list-style-type: none"> • The Department contacted Carolina Software (Waste Works) and we were informed that this company does not customize their programs due to the difficulty of keeping the upgrades modified to individual customer needs. • The current version does not allow for the protection of the site code on adjustments. The Department will continue to work with Carolina Software to see if this issue can be resolved in future upgrades. • The address (service location) was corrected on the latest upgrade of the system that occurred on January 8, 2003. • The issuance of duplicate tickets is caught by the system through an error report at the time of system uploads. Three administrative staff have access to the control panel, which is where the error was made. One of these staff members at that time is no longer with the Department, so there is no way to determine what happened. • The aging report issue is a choice that the Department made in the initial installation; the program is not capable of processing adjustments and payments in two different fashions. • The Department will discuss real time compatibility between sites with the Information Systems Department.
Time Frame	February 2003
Person Responsible	N/A

Issue # 8	Other Issues
	<p>During our testwork, we noted the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> We had difficulty locating adjustment books and original gate tickets due to misfiling and lack of organization in the file room. <input type="checkbox"/> Commercial drivers are usually allowed to make their first use of the landfill free of charge. <input type="checkbox"/> If a commercial driver is only bringing in non-chargeable waste, the attendant may give the driver a form to open an account, and allow the driver to fax it in later. This is contrary to the policy which is to fill out the form first before using the landfill. <input type="checkbox"/> Landfill attendants are not consistently obtaining signatures on the landfill gate tickets. Based upon our sample population, we estimate that this occurs approximately 39% of the time. <p>Impact</p> <p>Locating misfiled and missing support documentation for transactions is inefficient.</p> <p>Departmental policy is not being followed when entities are allowed to use the landfill without processing the proper paperwork beforehand.</p> <p>Not obtaining the signature of the driver negates the control benefit of an external party being made part of the transaction. The signature provides the added support for the veracity of the transaction.</p> <p>Recommended Action</p> <p>As noted in Issue # 3, the original gate tickets are handled numerous times. Our recommendation to change the procedures for processing adjustments should alleviate some of the issues related to missing tickets. To facilitate locating items in storage, we recommend the file room be reorganized so that storage boxes are in order, located in the same area of the room, and shelves are labeled.</p> <p>In addition, we recommend that Solid Waste Management:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Require accounts be opened before allowing use of the landfill. <input type="checkbox"/> Require gate attendants to obtain signatures on all tickets.

<i>Issue # 8</i>	<i>Other Issues (continued)</i>
<i>Management Response and Action Plan</i>	
Response	<p>The Department concurs with changing the procedures to reduce the handling of the landfill tickets and as stated in item #3 has implemented the same. It will also reorganize the filing room to facilitate the searches for documents. Furthermore, the Department concurs with requiring all tickets to have signatures. Currently, the Department requires that entities must have an account before they use the landfill. Nevertheless, if a truck is on the scales and the entity owning it does not have an account, the truck is permitted to unload. The next time the truck will not be permitted to use the facility without an account. Also, on holidays and days in which the main solid waste offices are closed, the truck will be allowed to use the solid waste facilities without the benefit of an account. These actions help reduce the potential for illegal dumping, which would then be a no charge item. It appears that trucks have been allowed in situations other than those described above. It is against department policy to allow first-time users in free. A meeting will be held to reinforce this Departmental policy with all scalehouse attendants.</p>
Time Frame	April 2003
Person Responsible	Alicia Khan, Gloria Harris, Ede Luedke

<i>Other Comments</i>	<i>Individual Calculations</i>
	<p>The department, prior to the internal audit, identified the issue described below and is currently in the process of implementing a solution to correct it.</p> <p>The number of individual calculations (IC) performed each year will continue to increase. For purposes of the annual solid waste disposal and recycling program special assessments:</p> <ul style="list-style-type: none"> <input type="checkbox"/> All new commercial properties are designated as individual calculations, <input type="checkbox"/> Commercial property owners may request to be switched from the square footage method to the IC method, but may never go back to the other method, <input type="checkbox"/> The Board of County Commissioners selects new property use codes each year to be permanently switched from the old square footage method to the IC method, and <input type="checkbox"/> Properties that build on additions are permanently switched to the IC method if (1) the addition represents at least a 50% increase in total square footage, or (2) by adding the square footage of the addition, the property would be moved up to the next square footage range under the old method. <p>From May to September, four to five SWM employees spend well over half of their workday researching/performing IC and per unit calculations. During this time, prorated billings (typically billed monthly) and other duties are put on hold.</p> <p>The IC process is a tedious, cumbersome, manual process, subject to human error. The process includes:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Generating reports by use codes and manually identifying properties requiring Ics. <input type="checkbox"/> Manually calculating the total, assigning the responsibility to perform the calculations to employees, and creating a tracking form. <input type="checkbox"/> For each property, determining which of two haulers service the property or whether it is serviced by one of the two cities that do not use the commercial haulers. <input type="checkbox"/> For each hauler, searching two spreadsheets to identify the customer's monthly service. <input type="checkbox"/> Deciphering the different verbiage used by each hauler. <input type="checkbox"/> For the two cities who do not use the haulers, finding the necessary information in whatever format the City provides. <input type="checkbox"/> If the property has a landfill account, obtaining landfill usage information to include in the calculation. <p>We were told that SWM is working with Information Systems to automate this process, but progress towards this end has been slow. It appears that it has not been given a high priority status.</p> <p><i>Impact</i></p> <p>Departmental employees fall behind in performing their other assigned duties from May through September. Prorated assessments are not being billed timely, revenue receipts are delayed, and earnings on those funds are lost.</p>

<i>Other Comments</i>	<i>Individual Calculations (continued)</i>
	<p><i>Recommended Action</i></p> <p>We recommend the Solid Waste Management Department:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Change its selection process for generating reports so that the reports are immediately usable rather than requiring a manual identification process. This could include requesting reports, by use code, for all properties with an alpha code of IC or properties that exceed a certain square footage (which should be an IC according to the Rate Resolution). This report could also total the number of ICs for tracking purposes. <input type="checkbox"/> Require the haulers to consolidate their dumpster and roll-off spreadsheets to eliminate duplicate searches. <input type="checkbox"/> Require the haulers and cities to include a field in their spreadsheets to include the RE number (property identification number used by SWM). <input type="checkbox"/> Require the haulers and cities to call SWM to obtain an RE number on all new accounts. <input type="checkbox"/> Consider hiring temporary employees to assist with the research process. <p>We recommend that the County make the automation of this process a high priority, in order for it to be functional and tested before the start of FY 2003 calculations. This would eliminate the need for some of the aforementioned recommendations and allow for Solid Waste Management Department to bill monthly.</p>
	<i>Management Response and Action Plan</i>
Response	<p>The Department concurs with the finding and will implement the recommendations as follows:</p> <ul style="list-style-type: none"> ◆ The Information Systems Department has been working on the automation of the individual calculation process. The system should be ready for testing in February 2003, with a “go-live” date of May 2003. ◆ The automation will incorporate the Franchise Hauler service spreadsheets. ◆ The City of Titusville is currently working on providing the Department with the information needed in an electronic format. ◆ The City of Rockledge has recently hired an Information Systems Manager who will add this task to the City’s list. ◆ Staff has been instructed to notify the Franchise Hauler of any new properties we become aware of to provide a real estate account number by service address.
Time Frame	May 2003 (It is not possible to establish a time line for the City of Titusville and Rockledge)
Person Responsible	Alicia Khan

<i>Other Comments</i>	<i>Journal Entries</i>
	<p>We noted the journal entries related to recording deposits require two approval signatures before being posted into SAP.</p> <p>In addition, we noted the entry was not always posted on the day of deposit because the required dual approvals could not be obtained in a timely manner.</p> <p><i>Impact</i></p> <p>The dual approval of a journal entry is an inefficient use of time and a redundant control procedure and can result in the entry not being posted timely.</p> <p><i>Recommended Action</i></p> <p>We recommend Solid Waste Management require only one approval signature and implement procedures to ensure that it is posted on the same day that the transaction occurred.</p>
<i>Management Response and Action Plan</i>	
Response	The Department concurs with the finding and has implemented the recommendation.
Time Frame	December 20, 2002
Person Responsible	Alicia Khan