



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

Walton County Board of County Commissioners
Walton County Solid Waste and Recycling Department
Follow-up Review

Alex Alford
Clerk of the Courts

Internal Audit Department

Johnny Street
Internal Audit Manager

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In-Charge Auditor

Report 18-04
July 2018

REPLY TO:

- 571 U.S. HIGHWAY 90 EAST ♦ P.O. BOX 1260 ♦ DEFUNIAK SPRINGS, FLORIDA 32435-1260
(850) 892-8115 ♦ FAX (850) 892-8130 ♦ SUNCOM 676-8118 ♦ FL TOLL FREE 1-800-342-0141
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ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

July 2, 2018

Walton County Board of County Commissioners

The Internal Audit Department ("IA") has conducted a follow-up audit of our review of Walton County's Solid Waste and Recycling Department. The review was conducted for the period of October 1, 2016 through September 30, 2017 to determine if recommendations provided in our December 2015 report have been implemented.

Internal Audit appreciates the cooperation of the personnel of the Walton County Solid Waste and Recycling Department during the completion of this follow-up review.

Johnny Street
Internal Audit Manager

Approved:

Alex Alford
Clerk of Courts and
County Comptroller

cc: Billy McKee, Solid Waste Manager

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department (“IA”) conducted a follow-up audit of our December 2015 audit of the Walton County Solid Waste and Recycling Department. Our follow-up included an examination of program activities for the period of October 1, 2016 through September 30, 2017 and an assessment of the implementation of recommendations provided by IA as part of our 2015 audit. The objectives of this follow-up review were to determine:

1. Whether controls have been established for commercial accounts;
2. Whether a comprehensive fee resolution has been developed;
3. Whether a contract has been developed for local tire vendor arrangement;
4. Whether written policies and procedures for landfill scale transactions have been developed; and,
5. Whether there has been board approval of all exempt entities.

IA notes that a comprehensive fee resolution has been developed though Resolution 2018-20. However, in the opinion of IA, all other recommendations provided as part of our 2015 review have not been adequately implemented and additional measures should be taken to fully implement these recommendations for improvement. We have outlined each of our previous recommendations and the results of our follow-up procedures herein.

INTRODUCTION

Background

IA had previously performed a review of the Solid Waste and Recycling Department (the “Department”) and issued a report dated December 2015. The Solid Waste Department was reorganized in July 2014, when it moved from Public Works to County Administration. In August 2014, the current manager was brought aboard to keep the Department moving into the future.

The Department is under contract with Waste Management, Inc., to collect the garbage and deliver it to a transfer station at Walton County’s (the “County’s”) landfill. Currently, the landfill is equipped to accept only Class III waste, which includes construction debris, household items, and yard waste but no household garbage. The garbage that has been delivered to the transfer station at the landfill is loaded into trailers and hauled to the Spring Hill Landfill in Jackson County. Waste Management has contracted Pritchett Trucking to carry the garbage from the County’s landfill to Jackson County.

County residents, whether in the municipalities or the unincorporated areas, are not required to pay for solid waste collection since the adoption of Ordinance No. 94-16, the Small County Surtax Ordinance, a Local Option Sales tax. The ordinance levied a surtax of one percent throughout the County. The proceeds from this are used to pay for residential solid waste collection and disposal costs for some or all of the dumping fees at the landfill. Based on this premise, when County residents bring solid waste to the Landfill, there is no charge. Commercial customers are required to pay for garbage collection and disposal in addition to paying dumping fees when they bring waste to the landfill.

Based on the recommendation from IA’s 2015 audit, the Department adopted an updated and comprehensive landfill disposal rate schedule implemented by Fee Resolution 2018-20 with an effective date of April 1, 2018. This Resolution increased the rates for class III, construction and demolition debris, which had not been increased in over 20 years. Rates for class I, household garbage, passenger tires and heavy truck/equipment tires are also included on this rate schedule.

As a result of our 2015 review, certain recommendations for strengthening of controls were provided. In order to perform a follow-up to assess the implementation of recommendations provided in our report, IA conducted interviews with the Department personnel and reviewed documentation provided by Department staff to substantiate implementation of our recommendations.

Scope

Our follow-up review of the Solid Waste and Recycling Audit was conducted for the period of October 1, 2016 through September 30, 2017.

Objectives

The objectives of our inquiries and examination of records were to determine:

1. Whether controls have been established for commercial accounts;
2. Whether a comprehensive fee resolution has been developed;
3. Whether a contract has been developed for local tire vendor arrangement;
4. Whether written policies and procedures for landfill scale transactions have been developed; and,
5. Whether there has been board approval of all exempt entities.

Methodology

The methodology utilized in this follow-up was to first interview the Solid Waste Manager and Administrative Assistant in order to gain an understanding of current policies and procedures and how IA's recommendations have been implemented. This interview included discussion of activities since IA's previous review and what procedures have been implemented to strengthen controls.

Upon completion of our initial interview, IA prepared a request list of documentation needed to perform our assessment of recommendation implementation. This request included a listing of all accounts receivable as of September 30, 2017, an aging report for accounts receivable over 90 days past due as of September 30, 2017, a detail of all invoices for April and May 2018, a list of all exempt entities, and all written policies and procedures.

During our initial interview, the Solid Waste Manager informed IA that a Fee Resolution was recently implemented. Due to the effective date of the Fee Resolution (2018-20) of April 1, 2018 IA selected April and May 2018 for testing of fee revenue to ensure collections are consistent with the new fee structure.

IA reviewed all documentation and responses received by the Department and also performed interviews with the Department employees. The results of our review of recommendation implementation are outlined at section, "Recommendation Review."

Overall Conclusion

While formal policies and procedures have not been implemented for the accounts receivable process, IA notes that delinquent accounts are being monitored and maintained at sufficiently low levels. IA recommends that the Department provide a monthly report to the Clerk's Finance Department so that the accounts receivable balance can be maintained in the financial software. IA notes that an updated Fee Resolution (2018-20) took effect April 1, 2018. There has been no change regarding the arrangement with a local tire vendor that does not benefit the County. IA commends the Department for their initiatives to improve controls over the recording of customer transactions, however, formal policies and procedures should still be developed. An exempt customer list for dumping fees has not been formally developed or approved by the Board. The Department should strive to develop policies and procedures for the identification of exempt customers and obtain formal approval from the Board of the completed list.

RECOMMEDATION
REVIEW

Below we have outlined the conditions and recommendations as reported in our December 2015 report along with the results of our follow-up assessment of the implementation of such recommendations.

1. Condition

Controls for opening commercial accounts could be improved.

Recommendation

Internal Audit recommends the Department establish controls to enable the safeguarding of the County's assets, and to ensure that billed charges are collected in a timely manner. Management should develop and request the Board of County Commissioners (the "Board") approve a mechanism for determining a security deposit, establish late fees and penalties for overdue accounts, and rules for suspension of dumping privileges for grossly overdue accounts.

Follow-up Results

Accounts receivable as of September 30, 2017 were approximately \$13,000. The Department is currently reviewing those accounts greater than 90 days past due monthly. Any accounts identified with outstanding balances for greater than 90 days are suspended in the software system and denied access to the landfill until their balance is paid.

As of September 30, 2017, only 4 accounts with receivables of approximately \$600 were delinquent for greater than 90 days. At the time of IA's review, all but \$27 of this balance had been collected. Per discussion with the Administrative Assistant, this balance is uncollectible. IA recommends that this balance be written-off. While formal policies and procedures for accounts receivable have not been developed, we believe that the Department is keeping delinquent accounts at an acceptably low level and performing timely monitoring. We do however, recommend that policies and procedures be developed so that all staff have a formal document to reference.

During IA's review of the accounts receivable report we noted 16 accounts with credit balances. These balances include prepayments from customers and receipts of revenue from recycling companies. Including these balances within the accounts receivable report misrepresents the report totals and makes review of balances more difficult. IA recommends that the Department work with the WasteWorks vendor to see if there is a way to run a report of only accounts receivable balances.

IA also noted that while account receivable balances for customers are maintained at the Department, these balances are not reported to the Clerk's Finance Department for inclusion in the financial software. IA recommends that Clerk's Finance obtain monthly accounts receivable balances from the Department in order to record in the financial software.

Management's Response

2. Condition

Dumping (tipping) fees are not clearly or easily determined.

Recommendation

Internal Audit recommends a comprehensive fee resolution be developed which includes all charges for dumping at the landfill. It should also clearly define what is acceptable and who will be required to pay a fee. Internal Audit feels this resolution should also set limits where necessary. Also, an ordinance should be adopted that repeals the existing charges listed in the County Codes. These fees should be included in the recommended resolution so it can be reviewed periodically and changed when necessary.

Follow-up Results

IA noted Resolution 2018-20 was implemented updating landfill dumping fees with an effective date of April 1, 2018. IA tested fees for April and May 2018 to ensure the new fees were being charged appropriately. No exceptions were noted during our testing procedures. Based on work performed, IA considers this recommendation to be fully implemented.

Management's Response

No response needed.

3. Condition

An arrangement with a local tire vendor does not benefit County.

Recommendation

Internal Audit recommends that the Department notify the vendor that in order to maintain this arrangement, a contract must be entered that provides in-kind

discounts for the County. In addition, the vendor must provide assurance that only tires from County vehicles are placed in the receptacle.

Follow-up Results

At the time of IA's follow-up audit, no changes have been made to this arrangement with the local tire vendor.

Management's Response

4. Condition

Landfill scale transactions are not always recorded consistently.

Recommendation

Internal Audit recommends the Department meet periodically with Scale Operators to define procedures in order to identify and utilize all of the record keeping capabilities of the new Scale House system. In addition, these procedures should ensure that all waste is classified properly. The system should be used to consistently track and record all waste brought to the facility as well as the customer delivering the load.

Follow-up Results

IA discussed with the Administrative Assistant the functionality of the WasteWorks software which records all transactions. Additionally, IA conducted observations of customer transactions with each scale operator to ascertain their process for the input of each ticket into the software. The implementation of the new scale house system provides the Administrative Assistant with more controls over payment and transaction categories and appears to have mitigated previous deficiencies noted regarding the consistency of transaction recording.

The Department provided IA with both a Cash Handling Policy and Procedures and a listing of job responsibilities for the Administrative Assistant, however formal policies and procedures for daily operations have not been created. Written procedures should be in place that detail how daily operations are conducted. This should include enough detail to be utilized as a guide so that a new employee, substitute, etc. can understand the appropriate methods for conducting daily operating procedures such as office opening/closing, recording scale transactions, processing payments, time entry, etc. We recommend the Department develop written policies and procedures for onsite operations.

Management's Response**5. Condition**

The Board should approve all entities exempt from dumping fees.

Recommendation

Internal Audit recommends that the Department submit all exempt entities to the Board for approval in a resolution.

Follow-up Results

During our work with the Department, IA was provided with an informal list of those entities that are exempt from fees and/or are provided with a free dumpster. IA notes that this list has not been presented or formally approved by the Board.

IA obtained a detail of all exempt transactions for the months of April and May 2018 in order to agree those entities with no charges to the informal listing provided. Based on our review we noted two entities that had fees waived that were not included on the list provided.

IA recommends that the Department develop formal policies and procedures for the determination of exempt entities. These policies should specifically outline the requirements to become an exempt entity. Upon completion of policies and procedures a formal list of exemptions should be submitted to the Board for approval.

Management's Response