

**Post-Audit Review 21-04:
Wood Recycling Center
Collections**

June 2022

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

Pamela Swinney, CPA





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

June 1, 2022

To: Mayor Tim Kelly
City Council Members

Subject: Post-Audit Review of Wood Recycling Center Collections (Report 21-04)

Dear Mayor Kelly and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2021 Wood Recycling Center Collections report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. Revenues collected at the scale house were not always timely reported to the City Treasurer's office. In addition, collections were not deposited with the bank in accordance with State laws.¹
2. Improvements were needed to ensure accounts receivables were monitored, collected and accurately recorded in the City's financial records.

The audit had 11 recommendations to address the internal control deficiencies observed in the collection process at the Public Works' Citywide Services Division. At the time of this Post-Audit Review, three recommendations were not implemented, five were partially implemented, and three were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

¹ T.C.A. 6-56-111 requires all funds collected by a municipal official to be deposited within 3 days of the initial receipt.

Attachment

cc: Audit Committee Members
 Joda Thongnopnua, Chief of Staff
 Brent Goldberg, Chief Financial Officer
 Ryan Ewalt, Chief Operating Officer
 Julia Bursch, Deputy Chief Operating Officer
 Tom Hutka, Public Works Administrator
 Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (3)

Recommendation	Actions Taken
3 We recommended Citywide Services' management implement procedures to follow up with delinquent accounts and suspend charge accounts when balances are past due or exceed credit limits.	Based on interviews with staff, Citywide Services' management has not developed or implemented procedures for monitoring and collecting delinquent accounts. As stated in Recommendation 1, the accounts receivable policy has not been finalized.
5 We recommended Citywide Services' management implement procedures to reconcile the subsidiary ledger (Wasteworks) to the general ledger (Oracle) quarterly, at a minimum.	Procedures to ensure accounts receivable are accurately recorded in Oracle have not been implemented. We compared Wasteworks aging report to the 2021 year end Oracle balance and found some outstanding accounts were not reported. Also, our audit identified discrepancies in Wasteworks. Staff has not researched and/or adjusted the accounts in Wasteworks to reflect correct balances due to the City.
11 We recommended Citywide Services' management hold staff accountable for policy noncompliance through counseling and disciplinary action, as needed.	Per the Sanitation Manager, no counseling or disciplinary action was taken for the noncompliance of policies identified during the audit. The draft policies will include supervisor review and disciplinary actions for noncompliance.

RECOMMENDATIONS PARTIALLY IMPLEMENTED (5)

Recommendation	Actions Taken
1 We recommended Public Works' management develop comprehensive policies and procedures for accounts receivable.	Citywide Services has updated its collection policies and procedures to reflect the procedures for recording collections in the new Oracle Cloud accounts receivable module. However, the updated policy does not include policies and procedures for all aspects of accounts receivable (e.g. reconciliation of Wasteworks data to Oracle, delinquent accounts, and write-offs). Management has initiated development of a comprehensive accounts receivable policy and procedure.
2 We recommended Citywide Services' management assign and train personnel to manage the Wood Recycling Centers' accounts receivable.	Citywide Services experienced staff turnover for both the accounting technician and Solid Waste coordinator. The new personnel received training from outgoing staff. In addition, training was provided by a Wasteworks representative in March 2022. Once the receivable policies and procedures are finalized, training will be completed.
4 We recommended Public Works' management receive Council approval to write-off accounts considered uncollectible after having submitted such accounts to the City's collection agency.	Management has included in the draft policies a write-off request form to document the approval to write off delinquent accounts. Delinquent accounts totaling \$63,109 were placed with the City's collection agency in October 2021.
7 We recommended Citywide Services' management segregate duties, such as using the recycling coordinator to approve and set up new customer accounts as well as review collection reports. We also recommended updating security options in Wasteworks to ensure separation of duties through user-level permissions.	Per the Sanitation Manager, segregation of duties was established using the Solid Waste Coordinator to set up new accounts in Waste Works and to review the collection reports. Although some job duties were segregated, the user level-permissions in Wasteworks have not been updated to limit access; with one exception, the scale house operator's void ticket permission has been removed.

Recommendation	Actions Taken
<p>9 We recommended someone other than the collection report preparer review and submit collections to the Treasurer’s Office, as required by policy. In addition, we recommended transfer of funds are documented by dual signatures.</p>	<p>Citywide Services' management indicated collection reports are reviewed by the Solid Waste Coordinator. Both the accounting technician and the coordinator confirmed transfer of funds are documented. Our sample of 9 collection reports found 5 collections were not reviewed by the coordinator. In addition, we identified several collections were misclassified in Oracle.</p>

RECOMMENDATIONS FULLY IMPLEMENTED (3)

Recommendation	Actions Taken
<p>6 We recommended Citywide Services’ management, with the assistance of the Information Technology department, identify and correct the Wasteworks billing discrepancy identified. Until such correction is made, we recommended management implement a procedure to ensure carryover balances on invoices are accurate prior to mailing.</p>	<p>Per Citywide Services' management, most of the billing discrepancies were identified as a glitch in the software that was fixed with the new upgrade. Staff review and verify monthly invoices are accurate.</p>
<p>8 We recommended the Scale House Supervisor deposit funds daily with the bank.</p>	<p>Citywide Services' management indicated all daily collections at the Wood Recycling Center are deposited by the on-site supervisor. We verified a sample of collections were deposited in the bank within the required 3 days.</p>
<p>10 We recommended records are maintained in accordance with the City’s record retention policy.</p>	<p>Per the Sanitation Manager, all records were returned from the accounting technician prior to her retirement. The division has received a record retention policy from the OCA.</p>

City of Chattanooga Fraud, Waste, and Abuse Hotline

Internal Audit's Fraud, Waste, and Abuse Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any City facility or department.

Internal Audit contracts with a hotline vendor, Navex Global, to provide and maintain the reporting system. The third party system allows for anonymous reports. All reports are taken seriously and responded to in a timely manner. Reports to the hotline serve the public interest and assist the Office of Internal Audit in meeting high standards of public accountability.

To make a report, call 1-877-338-4452 or visit our website:

www.chattanooga.gov/internal-audit