



Audit of Solid Waste Operations

Scale House Management

In general, the City's landfill customers are appropriately charged however there is an overall lack of written policies and procedures regarding Scale House related operations, which could result in inconsistent processing. Opportunities exist to improve the Solid Waste credit account process.

Additionally, Scale House staff receive appropriate cashier training. Safety training could be improved with an onboarding safety training program.

Audit Team

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Audit at a Glance

Why we did this Audit:

Over the last four years, the City's landfill has annually accepted over 400,000 tons of waste on average. Landfill customer management is integral to ensuring appropriate landfill usage and proper billing as revenues have been increasing by about \$1.5 million annually. This audit was included on the City's fiscal year 2022-23 Audit Plan as approved by the City Council.

What we Recommend:

Recommendations 1 & 2

Develop processes for altering transactions and conducting refunds.

Recommendation 3

Work with the Customer Service Division to streamline the monthly credit account billing process.

Recommendations 4, 5, & 6

Develop and implement processes, criteria, and an updated application to formalize the credit account application process. Ensure all completed applications are retained accordingly.

Recommendation 7

Develop a tracking method to ensure staff remain compliant with the City's cash handling requirements.

Recommendation 8

Develop an onboarding safety program and assess if a safety manual is appropriate.

What we Found:

This audit generally evaluated the management of the City's Scale House to ensure operations are adequate including suitable safety activities. Our findings are summarized below:

Transaction Processing. Although the Scale House appears to appropriately charge customers, the overall lack of formalized processes may result in inconsistent processing, potentially resulting in incorrect billing and loss of public monies.

Furthermore, the Scale House's scale management software permits incomplete transactions to be voided and completed transaction details to be edited. Staff reported voids and edits are only completed when necessary; however, the lack of formalized policies and procedures and detailed notation limits the ability to verify the appropriateness of these changes.

Credit Account Process. A small number of commercial customers have a Solid Waste credit account that permits them to be billed monthly for landfill usage. Although billing appears appropriate, the manual entry of invoice totals have previously resulted in billing errors.

The Scale House lacks formalized policies or procedures regarding the credit account application process including criteria specifying who should be approved for this type of account. Additionally, an outdated version of the 'Request for Service' application is used, and no completed applications are retained prohibiting any review of credit account appropriateness.

Training. Scale House staff are provided comprehensive cashier training and general comply with City cash handling requirements. Safety related training is offered after onboarding via monthly safety training meetings which are presented to all Solid Waste employees. Overall, Scale House staff attendance at these meetings is inconsistent.

Introduction

The Internal Audit Department is responsible for providing: (a) an independent appraisal¹ of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

The Internal Audit Department has completed a performance audit of landfill scale house management. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Audit Objectives, Scope, and Methodology

The Internal Audit Department has completed an audit of the City's solid waste operations including scale house management and safety activities. This report is intended to provide assurance that the City has established adequate processes and procedures to ensure the scale house is managed efficiently and effectively.

This report is the first phase in an audit project series covering Solid Waste Operations. Phase Two Safety, Training, & Reporting Compliance is expected to be published in January 2023.

Audit fieldwork was conducted during September and October 2022. The scope of review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

¹ The City of Denton Internal Auditor's Office is considered structurally independent as defined by generally accepted government auditing standard 3.56.

- Reviewed documentation to develop criteria including industry standards, best practices, and policies & procedures;
- Developed process narratives to identify Scale House operations and credit account controls;
- Interviewed Solid Waste and Customer Service Department staff and reviewed training materials and cashier processing documentation;
- Reviewed the City' Safety Dashboard to assess how many safety incidents were reported between October 1, 2018 to September 8, 2022;
- Reviewed scale management software reports for edited, voided, & refunded transactions and selected a sample of 44 edited and 39 voided transactions.² The associated transaction photos of the sampled transactions were also reviewed to ensure transactions were processed accordingly;
- Conducted onsite visit of Scale House to observe the Scale House operations specifically transaction processing;
- Reviewed and compared three months of customer invoices and Solid Waste billing reports;
- Obtained and reviewed training documentation including attendance sign-in sheets to verify attendance of safety training meetings;
- Reviewed the City's Cash Handling policy and Human Resources' Scale House job descriptions; and
- Reviewed and verified a random sample of 40 completed transactions to ensure customers are charged accurately.³

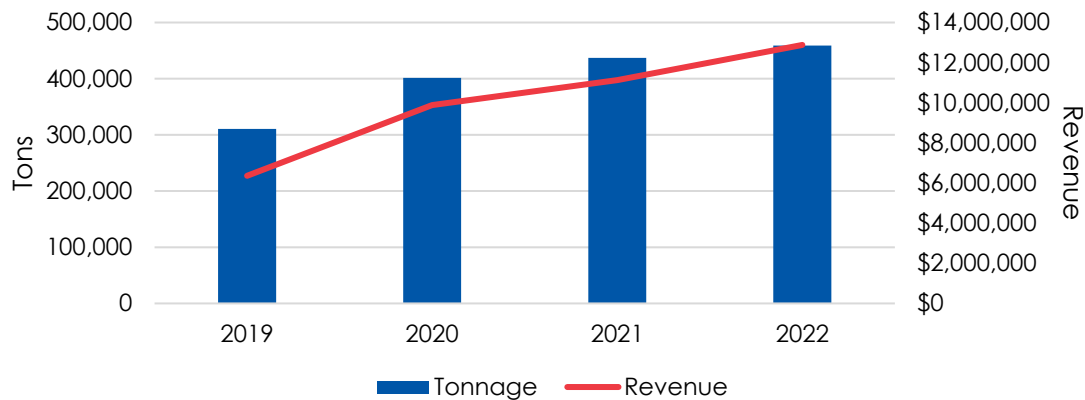
² These sample sizes provide with 95 percent confidence that the population mean is within $\pm 10\%$ of the sample mean.

³ This sample size provides with 95 percent confidence that the population mean is within $\pm 10\%$ of the sample mean.

Findings & Analysis

The City of Denton’s Scale House is primarily responsible for managing the customers entering and exiting the City’s landfill. The tonnage of waste being disposed of in the City’s Landfill has been steadily increasing. An effective Scale House ensures customers are charged accurately and helps manage the waste entering the City’s landfill.

Figure 1: Summary of Annual Landfill Tonnage and Revenue⁴



The Scale House is the first and last point of contact of customers utilizing the landfill. Before a customer is able to dispose of their waste the loaded vehicle is weighed, and the type of waste is verified. The waste is then disposed of in the landfill and upon exit the vehicle is weighed again to calculate the difference. The amount charged is based upon the type of waste material and the calculated difference of weight.

Figure 2: Illustration of Landfill Dumping Process



This audit generally evaluated the controls implemented to ensure landfill customers are accurately and appropriately billed and to ensure suitable safety activities are in place for Scale House staff.

⁴ The DFW landfill in Lewisville stopped accepting waste after December 31, 2019. This closure appears to have overall increased usage of the Denton Landfill.

Scale House Appears to Appropriately Charge Customers; Transaction Processing Lacks Written Policies or Procedures

All daily transactions are processed by Scale House staff including refunds and voids. In general, these types of transactions should be properly approved and documented to ensure they are issued appropriately. Additionally, transactions are also reviewed by Scale House leadership daily to ensure the prior day's transactions were processed correctly. If any errors are found, transaction details are edited within the system. In general, when transaction details are altered retroactively the edits should be properly documented to ensure changes are reviewable.

What We Found

- Based on a review of a random sample of 40 completed transactions customers are accurately charged according to the rates listed in the City's utility rate book.
 - Cash payments are no longer accepted, and card payments are the only acceptable form of payment.
- Scale House staff reconcile transactions at least once a day by comparing the credit card report with the scale management software data report.
 - If there is a discrepancy found the crew lead or supervisor will review and resolve.
 - The crew lead or supervisor will also produce the daily revenue report and provide that report to the Finance Department.
- All Scale House staff can cancel, or void, transactions that are still in progress within the scale management software.
 - There are no written policies or procedures regarding how or when to void a transaction.
 - When voiding transactions staff add notations to the system; however, those notes often lack the details necessary to determine if the deletion was appropriate or to verify the associated transaction.
 - Based on a random sample of 39 voided transactions only 17 transactions were notated with a reason or associated transaction number justifying the change.
- As mentioned previously, completed transactions are reviewed daily, and if deemed necessary, staff will edit or alter completed transaction details accordingly. Specifically, leadership staff are able to edit completed transaction details such as product type or origin.

- There are no written policies or procedures regarding how or when to edit a transaction.
 - When editing transactions staff add notation to the system; however, those notes often lack the details necessary to either determine what was altered in the transaction record or the documentation to prove that the edit was needed.
 - Based on a random sample of 44 edited transactions only 16 transactions were noted with a detailed enough explanation to justify these changes.
- Refunds are issued by the Scale House staff; however, no documentation is retained and therefore the details of completed refunds are not verifiable.
 - There are no written policies or procedures regarding the refund process.

Why It Matters

While the Scale House no longer accepts cash limiting some of the risk in transaction processing, the lack of formalized transaction processes still creates areas of concern. Specifically, developing and implementing written processes for altering, including voiding, transactions and conducting refunds would help ensure consistent transaction processing.

Several altered transactions, including voids, had no documentation or notation that would allow the changes made within the system to be tracked or reviewed. The lack of formalized processes may have resulted in inconsistent transaction handling and could result in incorrect monies being charged.

The lack of refund documentation and review process places public monies at risk since there is no method to ensure only appropriate refunds are issued. Furthermore, other city departments or divisions have a formalized refund process that includes required documentation. For example, the Municipal Court and Customer Service Divisions have refund processes established that require saving documentation and review methods.

Recommendations:

1. Develop a process to ensure altered transactions are consistently documented and reviewed periodically.

Solid Waste Department Comments: *Staff will develop documented processes for transaction edits to ensure effective notes are entered that describe transaction changes and the reason for the change. All changes will be reviewed monthly by the manager.*

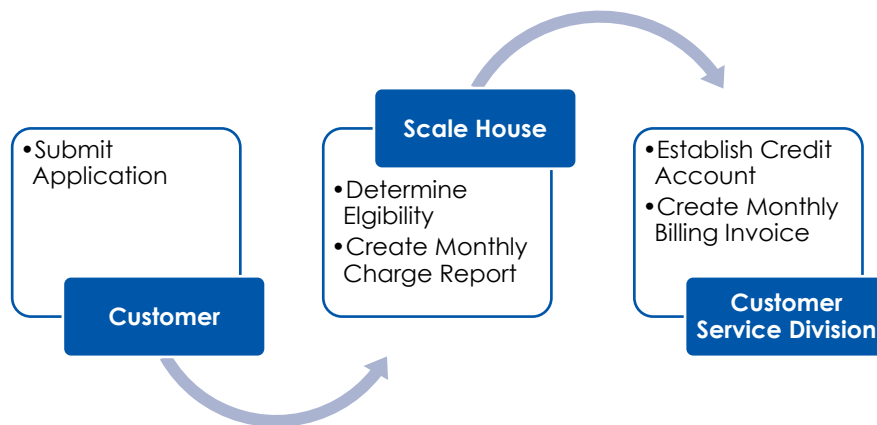
2. Develop a process to ensure refunds are reviewed, approved, and adequately documented.

Solid Waste Department Comments: Short Term: Staff will save a daily Strong Data report and compare to Payment Mate report with proper documentation. Only the Weigh Station Supervisor or Team Lead shall perform refunds. The log will be reviewed monthly by the Admin. Manager. **Long Term:** Strong Data will be integrated with Payment mate, the City's POS credit card system. Once integrated, SWR will develop a new process for refunds based on the parameters of the new software.

Credit Account Holders Are Generally Billed Correctly; The Credit Account Process Overall Lacks Consistency

Solid Waste offers the option of a credit account to a small number of regular landfill customers. These customers are typically commercial entities and must apply for an account. If approved, the Customer Service Division will establish the account and the customer will then receive a monthly billing invoice rather than paying for each transaction individually (see Figure 3 below). Credit account customers also receive the benefit of being able to utilize the automated lane to enter the facility and exit via the bypass lane overall minimizing their wait time.

Figure 3: Credit Account Application Process Overview



Additionally, both Solid Waste and the Customer Service Division use the 'Request for Service' application to establish certain accounts or account privileges. Customer Service reported that completed applications are retained for five years. According to best practices, completed credit applications for business credit checks are to be maintained for at least twelve months for applicants with less than one million dollars in revenue or sixty days for those with over one million dollars in revenue.

What We Found

- Credit accounts are billed correctly based on a comparison of three months of invoices and the associated landfill billing reports.
 - However, Customer Service is required to manually enter the landfill billing invoice totals which can and has resulted in data entry errors. These errors appear to have been appropriately corrected.
- The Scale House has commercial customers who desire a landfill credit account complete the 'Request for Service' application. According to Scale House staff, criteria and a minimum AB credit rating must be met before an application is approved.
 - Application criteria can include a minimum number of monthly landfill trips and a minimum amount of monthly tonnage disposed; however, the criteria are not formally written in a policy and staff reported that the criteria are considered negotiable. However, the criteria evaluation could not be reviewed since no completed applications are retained.
 - Furthermore, this benefit is not openly marketed, and Scale House leadership reported they will offer the benefit to those they believe are qualified or when directly asked by a customer.
 - Overall, the credit account application process lacks formal policies and procedures.
- Customer Service have commercial customers complete the 'Request for Service' application for utility accounts similar to the Scale House process.
 - However, Customer Service uses an updated version of the application while the Scale House uses a simpler, outdated version.⁵
 - Completed applications are retained for five years by Customer Service unlike the Scale House who does not retain any applications.

Why It Matters

Although our review found no current billing errors the billing method is susceptible to data entry errors as evident by past billing code errors. These past data entry errors have resulted in customers receiving incorrect invoices and although these errors were found and corrected appropriately by Customer Service the situation could occur again since the billing method remains the

⁵ Copies of the two application versions are shown in Appendix B.

same. Furthermore, data entry errors force Customer Service to spend additional work hours on correcting monthly invoices rather than other duties.

The overall lack of a formalized credit account application process may have resulted in inconsistent approvals or denials. Furthermore, the lack of documentation hinders the review of applicants' eligibility. The lack of documentation and formalized criteria restricts Scale House leadership in affirming all applicants were processed fairly. Additionally, the lack of open marketing of this benefit could limit the availability to all commercial customers.

Additionally, the application used by the Scale House does not have applicants provide all the related information to clearly document all necessary elements of the credit account application. Due to the lack of saved documentation, completed applications could not be reviewed however it's important to note the lack of written details on the application would have prevented a thorough review of applicants' eligibility.

Recommendations:

3. Continue working with the Customer Service Division to streamline the monthly credit account billing process.

Solid Waste Department Comments: *SWR will work with the Customer Service Division to determine the format and missing codes that need to be included in the monthly billing report. SWR will then reach out to Strong Data Automation to develop these enhancements to the report. This should allow Customer Service to upload the charges instead of manually entering them, reducing the chance for human error.*

4. Document the credit account application process, including formalized criteria, in written policies and procedures.

Solid Waste Department Comments: *SWR Staff will develop a written procedure for credit accounts. This process will include eligibility criteria, application process, and retention schedules.*

5. Create and use an updated 'Request for Service' application that clearly documents the credit account criteria.

Solid Waste Department Comments: *SWR Staff will work with Customer Service to ensure the utilization of the most current 'Request for Service' form or develop a Landfill specific form.*

6. Retain completed credit account applications for a minimum of one year for all applicants with one million dollars or less in revenue and sixty days for those over a million dollars in revenue.

Solid Waste Department Comments: Staff will work with Customer Service to replicate their retention methods utilizing Laserfiche.

Staff Receive Payment Processing Training & Generally Complete Required Cash Handling Training; Safety Training Could Be Improved

Solid Waste provides multiple types of training to Scale House staff. Initial staff training is focused primarily on payment processing. Any safety training Scale House staff receive is via monthly safety meetings offered to all Solid Waste employees. Best practices recommend safety training offered to employees should be reasonable and practical for workers to utilize on the job since safety training is a crucial part of an organization's security. Furthermore, best practices suggest safety training promotes safe environments and an organization with a safe environment can save money by decreasing insurance claims and overall show to the public and one's own employees that safety is a top priority.

Also, per City policy 403.01, all employees who are considered cashiers or fund custodians must receive the City's cash handling certification within six months of hire or appointment. Additionally, all cashiers or fund custodians are required to complete a continuing education course every three years.

What We Found

- Staff receive comprehensive transaction processing training which includes information on the City's recycling program, different types of garbage trucks, and details on how to use the scale management software.
- All but one of the nine current Scale House staff members met the initial cash handling certification City requirement. Scale House leadership has confirmed the one staff member will attend the required cash handling training later this year. Additionally, all applicable staff members have completed a continuing education course.
 - The Scale House does not actively monitor or systematically track who has completed cashier training or a continuing education course.
- Staff do not receive onboarding safety training nor does the Scale House have a comprehensive safety manual.
 - Solid Waste conducts monthly safety training meetings however Sale House staff attend sporadically. Specifically, we reviewed the attendance for six safety meetings and found that although all Scale House staff attended at least one meeting most staff attended 3 meetings or less.

Why It Matters

Although Scale House staff receive comprehensive transaction processing training and generally have fulfilled the City's cash handling certification requirements, the lack of safety training could pose a potential risk. Specifically, the Solid Waste Department had the second most reported safety incidents of all City departments from October 1, 2018 to September 8, 2022 and although most appear to originate from the Operations Division an overall safety focused environment could save the City money in insurance claims and generally promote a safer environment that could benefit both employees and the public.

Recommendation:

7. Implement a process that would allow leadership to track and ensure all applicable staff comply with the City's required cash handling training within the required timeframes.

Solid Waste Department Comments: *Staff will create a new-hire training tracker form. This will have a sign-off for the employee, trainer, and Supervisor. Supervisor and Manager will review on a monthly basis.*

8. Develop onboarding safety training and assess if a comprehensive safety manual is necessary for Scale House staff.

Solid Waste Department Comments: *A core safety training module will be developed with assistance of our on-site SW Safety & training Specialist. This module will include basic safety, slips, trips, and falls, hazardous weather, and other applicable safety training. Training module will be created in NeoGov which will allow for tracking purposes. Tracking will also be included along with the new-hire training packet which will be reviewed on a monthly basis by the supervisor and manager.*

Appendix A: Management Response Summary

The following summarizes the recommendations issued throughout this report. The auditors found that staff and the Department were receptive and willing to make improvements to controls where needed. Management has provided their response to each recommendation.

1	<i>Develop a process to ensure altered transactions are consistently documented and reviewed periodically.</i>	Concur	Expected Completion: January 2023
<p>Solid Waste Department Comments: Staff will develop documented processes for transaction edits to ensure effective notes are entered that describe transaction changes and the reason for the change. All changes will be reviewed monthly by the manager.</p>			Responsibility: Weigh Station Supervisor
2	<i>Develop a process to ensure refunds are reviewed, approved, and adequately documented.</i>	Concur	Expected Completion: Short Term - January 2023 Long Term – Summer 2023
<p>Solid Waste Department Comments: Short Term: Staff will save a daily Strong Data report and compare to Payment Mate report with proper documentation. Only the Weigh Station Supervisor or Team Lead shall perform refunds. The log will be reviewed monthly by the Admin. Manager.</p> <p>Long Term: Strong Data will be integrated with Payment mate, the City's POS credit card system. Once integrated, SWR will develop a new process for refunds based on the parameters of the new software.</p>			Responsibility: Administration Manager
3	<i>Continue working with the Customer Service Division to streamline the monthly credit account billing process.</i>	Concur	Expected Completion: Spring 2023
<p>Solid Waste Department Comments: SWR will work with the Customer Service Division to determine the format and missing codes that need to be included in the monthly billing report. SWR will then reach out to Strong Data Automation to develop these enhancements to the report. This should allow Customer Service to upload the charges instead of manually entering them, reducing the chance for human error.</p>			Responsibility: Administration Manager
4	<i>Document the credit account application process, including formalized criteria, in written policies and procedures.</i>	Concur	Expected Completion: January 2023

<p>Solid Waste Department Comments: SWR Staff will develop a written procedure for credit accounts. This process will include eligibility criteria, application process, and retention schedules.</p>		<p>Responsibility: Weigh Station Supervisor</p>
<p>5 <i>Create and use an updated 'Request for Service' application that clearly documents the credit account criteria.</i></p>	<p>Concur</p>	<p>Expected Completion: January 2023</p>
<p>Solid Waste Department Comments: SWR Staff will work with Customer Service to ensure the utilization of the most current 'Request for Service' form or develop a Landfill specific form.</p>		<p>Responsibility: Administration Manager</p>
<p>6 <i>Retain completed credit account applications for a minimum of one year for all applicants with one million dollars or less in revenue and sixty days for those over a million dollars in revenue.</i></p>	<p>Concur</p>	<p>Expected Completion: January 2023</p>
<p>Solid Waste Department Comments: Staff will work with Customer Service to replicate their retention methods utilizing Laserfiche.</p>		<p>Responsibility: Weigh Station Supervisor</p>
<p>7 <i>Implement a process that would allow leadership to track and ensure all applicable staff comply with the City's required cash handling training within the required timeframes.</i></p>	<p>Concur</p>	<p>Expected Completion: January 2023</p>
<p>Solid Waste Department Comments: Staff will create a new-hire training tracker form. This will have a sign-off for the employee, trainer, and Supervisor. Supervisor and Manager will review on a monthly basis.</p>		<p>Responsibility: Weigh Station Supervisor</p>
<p>8 <i>Develop onboarding safety training and assess if a comprehensive safety manual is necessary for Scale House staff.</i></p>	<p>Concur</p>	<p>Expected Completion: January 2023</p>
<p>Solid Waste Department Comments: A core safety training module will be developed with assistance of our on-site SW Safety & training Specialist. This module will include basic safety, slips, trips, and falls, hazardous weather, and other applicable safety training. Training module will be created in NeoGov which will allow for tracking purposes. Tracking will also be included along with the new-hire training packet which will be reviewed on a monthly basis by the supervisor and manager.</p>		<p>Responsibility: Weigh Station Supervisor</p>

Appendix B: Request for Service Applications

Solid Waste Version

E-mail Form

Commercial-Solid Waste Request for Service

Please Submit Completed Form To: customer_service@cityofdenton.com or Fax: 940-349-7211
801 E Hickory St, Suite F, Denton, TX 76206

Acct # _____
 Customer # _____
 Cycle/Route _____

Denton Municipal Utilities

Connect/Delivery Date _____ Applying for: Electric Water/Wastewater Solid Waste

Business Name _____

Federal Tax ID# _____ Driver's License # _____

Business Phone _____ Cell Phone _____

Service Address _____ City _____ State _____ Zip _____

Billing Address _____ City _____ State _____ Zip _____

Email _____ Paperless Billing

Solid Waste Container Information:

Permanent or Temporary Service	Type of Waste	Lead Project Y/N	Number of Containers	Pick-ups per Week	Size of Containers

***Solid Waste Terms, Agreement, and Regulations can be found at www.cityofdenton.com for Chapters 24 and 26 of the City of Denton Code of Ordinances, and the current City of Denton Solid Waste Rate Ordinances. Rates and fees are based on the current Rate Ordinance. Must have a container number when calling in for services or services may be denied. For questions contact: (940) 349-8700.

For Office Use Only:

Connect Fee _____ Deposit Amount _____

Date Deposit Received _____ Received by _____

NAICS Code/Description _____


I am the owner of the above account, or am authorized to represent the owner. All information that I have provided on this form is true and correct to the best of my knowledge. All deposits received will be applied to the final billing. The customer is responsible for canceling any utility services. NO METERS WILL BE SET UNLESS BRASS ID TAG IS ON METER BASE.

Authorized Signature _____ Date _____ Authorized Name (Print Name) _____

Customer Service Version

Request for Service

Please Submit Completed Form To: UtilityBilling@cityofdenton.com or Fax: 940-349-7211
 601 E Hickory St, Suite F, Denton, TX 76205



For Office Use Only:

Acct # _____ Customer # _____

Cycle/Route _____

Connect Fee _____ Deposit Amount _____

Denton Municipal Utilities

Applying for: Landfill Electric Water/Wastewater Solid Waste Drainage

Connect/Delivery Date _____ Email _____

Business/Account Name _____ SS# _____

Federal Tax ID# _____ Driver's License # & State _____

Business Phone _____ Cell Phone _____

Service Address _____ City _____ State _____ Zip _____

Unit Numbers _____

Billing Address _____ City _____ State _____ Zip _____

Requested Solid Waste Container Information:

Permanent or Temporary Service	Trash or Recycling	Container Size	Number of Containers	Pick-ups per Week	Contact for Site Visit Name, Email, & Phone Number

Placement Instructions: _____

***Solid Waste Terms, Agreement, and Regulations can be found at www.cityofdenton.com for Chapters 24 and 26 of the City of Denton Code of Ordinances, and the current City of Denton Solid Waste Rate Ordinances. Rates and fees are based on the current Rate Ordinance. Must have a container number when calling in for services or services may be denied.
 For questions contact: (940) 349-8700.

***I am the owner of the above account; or authorized to represent the owner. All information that I have provided on this form is true and correct to the best of my knowledge. All deposits received will be applied to the final billing. The customer is responsible for canceling any utility services. NO METERS WILL BE SET UNLESS BRASS ID TAG IS ON METER BASE.

Authorized Signature _____ Date _____ Authorized Name (Print Name) _____

OUR CORE VALUES
 Integrity • Fiscal Responsibility • Transparency • Outstanding Customer Service

ADA/EOE/ADEA www.cityofdenton.com TDD (800) 735-2989

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