

AUDIT REPORT

Salt Lake County SPECIAL AUDIT OF SOLID WASTE MANAGEMENT

JANUARY 2023



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AUDITOR'S LETTER

We performed an audit of Solid Waste Management (SWM) after receiving a tip on our fraud hotline concerning allegation of internal control weaknesses. The period under audit was from July 1, 2021, through December 31, 2021.

During our audit we examined SWM for compliance with Countywide Policy 1062 "Management of Public Funds" and Policy 1220 "Management of Accounts Receivable and Bad Debt Collection." We examined and performed testing on SWM's inter control environment, resulting in 6 findings and 15 recommendations. Management responded with agreement to all our recommendations. SWM was able to implement some of our recommendations before we completed the audit and have committed to implement the remaining recommendations no later than March 31, 2023.

By implementing our recommendations for compliance with countywide policies and procedures and improving on its internal controls, SWM will be able to better manage its operations, serve the County residents, and mitigate risks of fraud, waste, and abuse. I now present the results of this audit.

This audit is authorized pursuant to Utah Code Ann. 17-19a-401 "County Auditor Investigative Powers – Report of Findings." We conducted this audit in accordance with generally accepted government auditing standards (GAGAS), except for the requirement in GAGAS 3.18, which states, "In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity". GAGAS states in 3.21 "Independence comprises the following:

- a. Independence of mind: The state of mind that permits the conduct of an engagement without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
- b. Independence in appearance: The absence of circumstances that would cause a reasonable and informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the engagement team had been compromised."

Our state statute, 17-19a-206 Performance audit services, reads:

- (1)
 - (a) A county auditor shall, under the direction and supervision of the county legislative body or county executive and subject to Subsections (1)(b) and (2), provide performance audit services for a county office, department, division, or other county entity.
 - (b) A county auditor may not conduct a performance audit of the auditor's own office.
- (2) The county legislative body or county executive shall establish the goals and nature of a performance audit and related services.

Although this audit is not a performance audit, GAGAS 3.19 states: “auditors and audit organizations should avoid situations that could lead reasonable and informed third parties to conclude that the auditors and audit organizations are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work”.

A reasonable and informed third party is defined by GAGAS: “As evaluated by a hypothetical person, a person who possesses skills, knowledge, and experience to objectively evaluate the appropriateness of the auditor’s judgments and conclusions. This evaluation entails weighing all the relevant facts and circumstances, including any safeguards applied, that the auditor knows, or could reasonably be expected to know, at the time that the evaluation is made.”

Although we are working with the State Legislature, Utah Association of Counties, Utah Association of CPAs, to change this statute, we currently have no control or ability to change this statute. As such there is a risk that readers of our report would conclude that we are not capable of exercising objective and impartial judgment on the audit subject matter.

GAGAS 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. Except for the independence issues above, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.”

We appreciate the leaders and team members at the various agencies and departments who shared their time and knowledge with us during the audit. Please contact me at 385-468-7200 with any questions.

A handwritten signature in black ink, appearing to read "Chris Harding". The signature is written in a cursive, flowing style.

Chris Harding, CPA, CFE, CIA
Auditor

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SOLID WASTE MANAGEMENT

JANUARY 2023

Objectives

Our audit procedures were designed to gather sufficient evidence to form conclusions, where possible, regarding the allegations, and to ensure that controls were in place to protect County funds and assets from fraud, waste, and abuse.

Our audit period included July 1, 2021 to December 31, 2021, but was extended outside this period in some cases. Procedures were limited to an examination of financial and other records related to the allegations and on-site observation of physical controls in place.

REPORT HIGHLIGHTS

There was no reconciliation of Accounts Receivable (AR) performed that included the beginning balance per the point of sale (POS) system, plus new invoices, less payments and write offs, to arrive at and confirm the ending AR balance.

Countywide Policy 1220, states, "The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step."

An account balance of \$34,667 was written off. Solid Waste Management did not transfer the debt to the District Attorney's Office or consult with the District Attorney regarding the debt's collectability.

Countywide Policy 1220, states, "... After all collection efforts are completed at the agency level, uncollected accounts are considered problem accounts and are transferred to the District Attorney's Office... For accounting purposes, accounts receivable should be written-off at the point the accounts are transferred to the District Attorney's Office."

There were insufficient Segregation of Duties (SODs) at the Solid Waste Management facility in ordering, receiving, issuing and custody of the main vault change fund. Checks received in the mail were not opened under dual control.

Countywide Policy 1062, states, "In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashing duties, and those having access to and maintaining accounting records related to those public funds..." The same Countywide policy, states, "County Agency Management and Fiscal Managers shall establish Internal Control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

Surveillance video was not always available for viewing due to system glitches. There were no policies and procedures on video storage or monitoring.

Best Practices. Video surveillance over cash operations helps deter misappropriation of funds and resolve situations where facts may be in dispute, such as conflicts with customers, or unexplained variances. In this way, surveillance can help protect employees, customers, and taxpayer funds. Footage should be retained for a reasonable amount of time to enable useful review.



Finding Risk Classifications

Classification	Description
<p>1 – Low Risk Finding</p>	<p>Low risk findings may not have an effect on providing reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p>
<p>2 – Moderate Risk Finding</p>	<p>Moderate risk findings may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>3 – Significant Risk Finding</p>	<p>Significant risks are the result of one or more findings that may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>4 – Critical Risk Finding</p>	<p>Critical risks are the result of one or more findings that would have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.</p>

BACKGROUND

In the Fall of 2020, the Auditor's Office received allegations regarding lack of controls at Solid Waste Management (SWM). A meeting was held with the individual reporting those concerns on November 19, 2020. Allegations discussed included:

- The video surveillance of the scale house where cash was collected from customers was not functioning.
- Segregation of duties were not in place over accounts receivable processing, maintenance of the change fund, cashiering duties, and depositing.
- Key internal controls, such as supervisory reviews of voids, daily balancing, and depositing were not occurring.
- Credit card receipts did not balance to the point-of-sale records.

Several of the allegations involved areas already being reviewed in the planned follow-up audit of findings noted during the "Audit of Key Controls at the Solid Waste Management Facility" published in 2019. The relevant results of the follow-up testing are summarized below and can be viewed in more detail in the report, "Follow-up Audit: An Audit of Key Controls at the Solid Waste Management Facility" published in June 2022. Remaining concerns regarding video surveillance and segregation of duties were addressed through a review of the current control design, and limited testing.

OBJECTIVES AND SCOPE

Our audit procedures were designed to gather sufficient evidence to form conclusions, where possible, regarding the allegations, and to ensure that controls were in place to protect County funds and assets from fraud, waste, and abuse.

Our audit period included July 1, 2021 to December 31, 2021, but was extended outside this period in some cases. Procedures were limited to an examination of financial and other records related to the allegations and on-site observation of physical controls in place.

AUDIT CRITERIA

Countywide (CW) Policy 1062, "Management of Public Funds," establishes procedures for receiving, recording, depositing, and disbursing public funds, and defines functions and responsibilities to provide and strengthen internal controls over these procedures. The policy's purpose is to provide effective safeguards while weighing both risks to be mitigated and costs of maintaining controls. Controls over managing public funds emphasizes:

- Clear segregation of duties between person with custody of funds and/or those performing cashiering duties, and those having access to and maintaining accounting records related to public funds.
- Safeguarding and accountability for receipt, deposit, transmittal, and disbursement of funds, including physical security over these activities.
- Duties of opening mail and summarizing the daily receipt of checks should be separate from posting payments.

CW Policy 1220, “Management of Accounts Receivable and Bad Debt Expenses,” establishes procedures for management of accounts receivable and procedures for debt collection by County agencies/departments. It acknowledges that each agency has varying operational demands where management may decide to offer goods and services without immediate payment. It states that whenever possible; County departments and agencies should require payment before goods and services are provided, but there are cases where that is not possible or practical. Credit may be granted by County department and agencies so long as sufficient identifying information is available to enable an establishment of accounts receivable record and subsequent collection procedures. The purpose of the policy is to:

- Establish a policy and procedure for management of accounts receivable, including proper filing, record keeping, and follow up with individuals or companies that owe money to Salt Lake County.
- Establish guidelines for the approval, control, and accounting for amounts due to Salt Lake County.
- Provide written instructions relating to the collection of amounts due, including procedures to be followed in the event of non-payment.
- Achieve timely collections of accounts receivable and maximize collection of all amounts due, bearing in mind that the older an account becomes, the less likely it is to be collected.

CONCLUSIONS

Management confirmed that the video surveillance of the scale house where cash was collected from customers was not functioning for an unknown period but indicated the system was operational. Audit Services attempted to review the video for a random sample of days from the prior 90-day period on two occasions. We found that it was not always available due to system glitches. The scale house vault where deposits were stored prior to pick up featured a door lock with a key code designed to maintain an audit trail of individuals opening the vault. However, the system was not accurately configured and was therefore not tracking that information. We also found that there was no reconciliation of Accounts Receivable using point-of-sale data beginning and ending balances and a significant write off was made without consultation with the District Attorney’s Office. In addition, checks received in the mail were retrieved and logged

alone and SODs over change fund orders were not in place.

During the 2019 SWM Key Controls Audit (KCA) follow-up we noted that the supervisor acted as cashier for four (5.33%) of the 75 shifts reviewed. The supervisor's work was not reviewed and signed off on by a second individual (see Finding 3 from the follow-up report).

The Fiscal Coordinator performed incompatible Accounts Receivable functions by preparing the bills, posting the payments in the POS, and sometimes preparing the deposit slips. However, the following compensating controls were in place:

- The Office Coordinator received and logged AR payments in the Cash Receipts Log
- The Accountant reviewed the invoices, Cash Receipt Logs, and deposit slips to ensure they matched.

FINDING 1 AND RECOMMENDATIONS

Accounts Receivable Reconciliations were not Sufficient and were not Performed During April through July

Risk Rating: **Significant Risk Finding**

All AR transactions, including billing, payments, and adjustments, were processed in Solid Waste Management's point-of-sale system, Waste Works. The point-of-sale system contained the AR ledger and was used to monitor accounts receivable, including the AR aging report. The point-of-sale system AR ledger was not reconciled for April through July. For the remaining months, we noted that the reconciliation format did not include the beginning point-of-sale AR balance, plus new invoices, less payments and write offs, to arrive at the ending AR point-of-sale balance.

Instead, SWM's AR reconciliation started with the accounting system PeopleSoft (PS) balances. The POS and PS are not integrated. Peoplesoft was updated using journal vouchers with summarized transaction totals from the POS data and reports as well as bank statements.

Countywide Policy 1220, "Management of Accounts Receivable and Bad Debt Collection," Section 5.3.2, states:

"The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step."

The new Accountant was not trained to perform a reconciliation of beginning and ending AR balances using the POS amounts and was not aware of the need to perform them.

The absence of POS AR reconciliations described above may result in improper or fraudulent entries (such as unauthorized write offs to conceal misappropriation of funds) remaining undetected. In addition, account balances may be misstated causing incorrect management accounting information to be reported.

1.1

RECOMMENDATION

Training

We recommend that management ensure that the Accountant receives training in Accounts Receivable management, including AR reconciliations.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.2

RECOMMENDATION

Accounts Recievable Balances

We recommend that each month management ensure that the AR ending balance reconciles with the beginning balance by adding amounts billed, adding or subtracting adjustments and write-offs, and subtracting payments.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

1.3

RECOMMENDATION

Reconciliation

We recommend that the reconciliation be documented and signed by the employee who performed it and reviewed against supporting documentation and signed off on by a supervisor or manager.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 2 AND RECOMMENDATIONS

A customer balance of almost \$35,000 was written off without consultation with the District Attorney's Office

Risk Rating: **Moderate Risk Finding**

We reviewed the December 2021 AR adjustments to determine whether adjustments were appropriate and supported by documentation on file. We noted that a customer balance of \$34,667 was written off at the end of 2021. The write off was approved by the Agency's Executive Director and documentation of that approval was retained on file. However, SWM did not transfer the debt to the District Attorney's Office and did not otherwise consult with the District Attorney regarding the debt's collectability.

Countywide Policy 1220, "Management of Accounts Receivable and Bad Debt Collection" Section 6.1, states, "While the goal is to reduce accounts receivable by collecting the revenues due, circumstances may dictate reducing accounts receivable by writing-off certain debts that are deemed uncollectible. After all collection efforts are completed at the agency level, uncollected accounts are considered problem accounts and are transferred to the District Attorney's Office... For accounting purposes, accounts receivable should be written-off at the point the accounts are transferred to the District Attorney's Office."

Management reported that the balances were the result of late fees that the customer accrued over time. Once the customer was taken over by another business, the receivable was deemed to be uncollectible and was therefore written off. Staff was not aware of the Countywide policy on transferring delinquent debt to the District Attorney. However, when the District Attorney's Office is not involved in Agency debt collection practices, revenue may be lost.

2.1

RECOMMENDATION

Delinquent Balances

We recommend that management transfer uncollectible/delinquent AR balances to the District Attorney's Office in accordance with Countywide policy.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 3 AND RECOMMENDATIONS

Insufficient Segregation of Duties

Risk Rating: **Moderate Risk Finding**

To ensure that segregation of duties was in place we obtained and reviewed the log of payments received in the mail, the Vault/Fund Transfer Ledger, the armored car customer consignment log, the Mayor's Financial Administration (MFA) record of change funds and custodians, and deposit records.

We also noted that the Fiscal Manager received change funds from the bank on five occasions. Change funds were received on an automatic schedule. However, the Fiscal Manager set up the schedule and had authority to change it. Therefore, duties were not properly segregated. We also noted that the Office Coordinator or Office Manager retrieved and opened checks received in the mail alone resulting in a lack of dual control.

Countywide Policy 1062, "Management of Public Funds," Policy section states, "In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

Section III.A.5, states, "County Agency Management and Fiscal Managers shall establish Internal Control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

The Fiscal Manager was not aware that she should not receive change funds when she ordered them, even when the deliveries were part of an automated schedule.

Where SODs are not in place errors and omissions are more likely to occur undetected. In the absence of dual control over receipt of mail-in payments, there is an increased risk that checks remitted through the mail maybe lost, stolen, or diverted to personal use.

We recommend that management implement clear separation of duties over ordering and receiving change funds.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that mail containing checks be retrieved, opened, and logged under dual control.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/10/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 4 AND RECOMMENDATIONS

Video Surveillance System Was Not Reliable

Risk Rating: **Moderate Risk Finding**

SWM has three scale houses. One scale house accepts cash. The other two accept credit or debit card payments, or credit for customers with a SWM account. The individual that reported internal control concerns to the Auditor's Office indicated that sometime in June, the camera monitoring the scale house that collects cash stopped retaining data, and the system date stamp reverted to 2012.

At the onset of our fieldwork, SWM indicated the problem had been resolved. To verify the system was operating reliably we observed video footage on April 11, 2022, for a sample of the prior 90 days. We noted that footage was maintained more than 90 days and dated back to October 2021. We attempted to view the same footage one month later, but found that only March 14, 2022 forward was available (58 days). There was no backup of the video footage performed by either the County IS or SWM/Facilities team.

Audit Services alerted SWM, and the Facilities electrical team worked with the vendor to resolve the issue. Footage was recovered two weeks later. On July 22, 2022, we verified that footage from October 2021 forward was again available.

Video surveillance over cash operations helps deter misappropriation of funds and resolve situations where facts may be in dispute, such as conflicts with customers, or unexplained variances. In this way, surveillance can help protect employees, customers, and taxpayer funds. Footage should be retained for a reasonable amount of time to enable useful review.

The missing footage could not be viewed because a system glitch caused the time stamps to be inaccurate. There was no policy or practice for periodic review of footage to ensure the system was operating as intended.

Lack of footage may make customer disputes and investigations of missing funds more difficult. Staff safety may also be compromised. If there are no set clear policies for surveillance video review and footage retention periods, video may be lost, or large volumes of storage space may be taken from the County's hard drives and cause the system to increase the network bandwidth requirements.

We recommend that management periodically check the video surveillance footage system to ensure that it is functioning as expected and to review staff activity.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management develop written policies and procedures on video surveillance management and retention.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 3/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 5 AND RECOMMENDATIONS

Main Vault Audit Trail Not Functioning

Risk Rating: **Moderate Risk Finding**

The center scale house where payments were receipted contained the main cash vault, which was used to store daily deposits. The vault was equipped with an electronic lock which required staff to enter a key code to open the vault. Each authorized individual was assigned a unique code. Management indicated the system maintained a record of vault access and that an Audit Trail Report was available. However, we noted the following upon our request to review to the report.

- Although management could download the Audit Trail Report, they needed the IT Service Desk's help to open the file because the report was encrypted.
- The Audit Trail Report did not indicate the correct date and time for when the vault door was opened. Instead, the report indicated that the door was opened on 693 times on January 1, 2000, at 1:01:00 AM.

Audit trails record events and provide support documentation that can be used to authenticate the security of an area or system. An audit trail can provide proof that only authorized individuals accessed the resource and can provide information for investigations. Audit trail records should contain the date, time, and user associated with each event.

The date and time were not set when the locking system was installed. Staff were not trained on how to download and use the Audit Trail Report. This represents a lack of oversight controls.

Staff did not know why the report was encrypted but stated that they were working with the software provider and IT Service Desk to resolve the issue.

Misappropriation of funds and unauthorized vault access may be more likely to occur when audit trails are not functioning. Information useful for establishing timelines during investigations may not be available. Irregularities may not be detected if the Audit Trail Reports are not reviewed on a periodic basis.

5.1

RECOMMENDATION

Configuration

We recommend that management ensure that the Vault Audit Trail Report is properly configured to show individual users, dates, and times whenever the vault is opened and closed.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2022

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

5.2

RECOMMENDATION

Software

We recommend that management engage the software providers and IT Division, as needed, to ensure users are enabled and properly trained to generate and review the Vault Audit Trail reports.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/12/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

5.3

RECOMMENDATION

Audit Trail

We recommend that management periodically review Vault Audit Trail Reports to monitor activities of users and prevent/detect misuse.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

FINDING 6 AND RECOMMENDATIONS

Insufficient Oversight of Credit/Debit Card Variances

Risk Rating: **Moderate Risk Finding**

In the 2019 “Audit of Key Controls at the Solid Waste Management Facility” the Auditors Office reported that during the first half of 2018 issues with the credit card processing software caused patrons to be double charged. As a result, Solid Waste management acquired a new credit card processing software.

According to the Fiscal Manager, while the new system integrated with Waste Works, time delays between swiping and entering transactions caused Waste Works to drop the transaction in some instances. Staff also reversed and re-entered transactions, not realizing that while the credit card was refunded, the sale remained in Waste Works. During most of 2020, monthly credit card revenue was off between \$7,000 and \$8,000.

With more staff experience, and daily balancing by the new scale house supervisor, the variance was reduced. During the audit period we noted 70 days with variances ranging from under (\$1,294) to over \$1,317. For 58 (83%) out of the 70 variances there was no documentation to indicate whether they had been investigated or resolved.

Table 1. Variances between Waste Works Point-of-Sale and the Credit Card System. Monthly variances ranged from \$32 to \$430.

Month	Waste Works POS	Credit Card System	Variance - Over/(Under)
Jul-21	\$482,237	\$482,667	\$430
Aug-21	\$462,757	\$462,789	\$32
Sep-21	\$446,681	\$446,717	\$36
Oct-21	\$452,780	\$453,033	\$253
Nov-21	\$439,932	\$440,142	\$210
Dec-21	\$266,318	\$266,426	\$108
Net Total	\$2,550,706	\$2,551,775	\$1,069

In addition, we reviewed the Waste Works’ Declined Transactions report from July 2021 to December 2021 and noted that 120 declined transactions were labeled as ‘Duplicate Transaction’ or ‘Retry’. The duplicate transactions were a result of the cashiers not waiting at least 5 minutes before running another transaction for the same amount on the same card.

Countywide Policy 1062, "Management of Public Funds," Section V.C.1, states: "When an Overage can be identified through a particular transaction, appropriate steps should be taken to refund the Overage consistent with the following Countywide Policies: 1202 Authorization and Processing of Certain Payments, Sections 2.0 and 3.0; Policy 1203 Petty Cash and Other Imprest Funds, Section 5.2.3; and Policy 1205 Fee Refunds."

The cause of variances may not always be readily determined and in some cases resolved over a period of several days. Therefore, staff may not have always documented efforts to research or resolve them.

Staff may not have waited 5 minutes before re-swiping the credit card due to lack of consistent training and follow up by management to ensure cashiers complied with the POS system requirements.

When variances are not fully investigated customers may be over or under charged. As a result, reputational damage may occur. Variances also increase the risk of misappropriation of funds as overages in one tender type maybe used to help conceal shortages in cash. Revenue reports may be misstated.

6.1	RECOMMENDATION	Discrepancies
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We recommend that management ensure all differences between the credit card system and Waste Works are investigated and documented and that appropriate action is taken to resolve the overage or shortage, where possible.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 2022

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

6.2	RECOMMENDATION	Credit Card Transaction
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We recommend that reviews and approvals of reconciliation documentation include review of credit card variances to ensure they were noted and investigated during the reconciliation process.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE -2022

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management train cashiers on proper handling of credit card transactions, including waiting at least five minutes before running another transaction for the same amount on the same card.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 1/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

We recommend that management introduce annual training for employees with cash handling responsibilities.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - 3/31/2023

SEE PAGE 19 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

APPENDIX A: Additional Information

Appendix A: Additional Information

Scope & Methodology	<p>The audit review was intended to gather sufficient evidence to form conclusions, where possible, regarding the allegations of internal control weaknesses, and to ensure that controls were in place to protect County funds and assets from fraud, waste, and abuse.</p> <p>Our audit period included July 1, 2021, to December 31, 2021, but was extended outside this period in some cases. Procedures were limited to an examination of financial and other records related to the allegations and on-site observation of physical controls in place.</p> <p>To accomplish the audit objectives, we used several methodologies to gather and analyze information. The methodologies included but were not limited to:</p> <ul style="list-style-type: none">• Performed walkthroughs of business processes and asked questions of key personnel.• Analyzed the design and implementation of internal controls, regarding the following areas that were noted in the Management Letter:<ul style="list-style-type: none">• Ordering, receiving, custody and exchanges of change funds.• The security and custody of cash sales and AR funds collected.• The existence, maintenance and back up process of video footage recordings.
Exclusions	<p>We did not review the following areas:</p> <ul style="list-style-type: none">• Capital and Controlled Assets, and Software Inventory• Accounts Payable• Cash Sales• Contracts• SWM Payroll
Follow-Up Audit Process	<p>An initial follow-up review to determine the implementation status of open recommendations will be conducted six months after the final audit report date. A final follow-up review will be conducted 12 months after the final audit report date. Results of both follow-up audits will be reported to management and other stakeholders. Additional follow-up audits may be scheduled based on the severity of the risks, or the lack of corrective action to address significant issues noted during the initial audit.</p>

AGENCY RESPONSE



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January 17, 2023

Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,

Please find our response below to each of the recommendations made in your report.

AUDIT FINDING 1: POS Accounts Receivable Reconciliations Not performed.

RECOMMENDATION 1.1		
We recommend that management ensure that the Accountant receives training in Accounts Receivable management, including AR reconciliations.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	01/31/2023	Tayvia Lindsley - Accountant

Narrative for Recommendation 1.1 including action plan.
Solid Waste Management (SWM) agrees with the recommendation and will ensure that accountants receive training in account receivable management, including AR reconciliations.

RECOMMENDATION 1.2		
We recommend that each month management ensure that the AR ending balance reconciles with the beginning balance by adding amounts billed, adding or subtracting adjustments and write-offs, and subtracting payments.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation

Agree	01/31/2023	Tayvia Lindsley - Accountant
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Narrative for Recommendation 1.2 including action plan.

SWM agrees with the recommendation. SWM will ensure that the AR ending balance reconciles with the beginning balance including amounts billed, the addition or subtraction of adjustments and write offs and subtracting payments.

RECOMMENDATION 1.3		
We recommend that the reconciliation be documented and signed by the employee who performed it and reviewed against supporting documentation and signed off on by a supervisor or manager.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	1/31/2023	Tayvia Lindsley - Accountant

Narrative for Recommendation 1.3 including action plan.

SWM agrees with the recommendation. Monthly reconciliations are currently documented, submitted, and approved in the month end journal entries in PeopleSoft. PeopleSoft tracks the requester’s submission date and time as well as the approval history. The accountant will review and sign the supporting documentation digitally before they are attached in PeopleSoft.

AUDIT FINDING 2: A customer balance of almost \$35,000 was written off without consultation with the District Attorney’s Office.

RECOMMENDATION 2.1		
We recommend that management transfer uncollectible/delinquent AR balances to the District Attorney’s Office in accordance with Countywide policy.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	01/31/2023	Gwen Parkin – Fiscal Coordinator

Narrative for Recommendation 2.1 including action plan.

SWM agrees with recommendation and will transfer uncollectible/delinquent AR balances to the District Attorney’s Office in accordance with County Policy 1220.

AUDIT FINDING 3: Insufficient Segregation of Duties

RECOMMENDATION 3.1		
We recommend that management implement clear separation of duties over ordering and receiving change funds.		



SALT LAKE VALLEY SOLID WASTE MANAGEMENT FACILITY

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	1/31/2023	Jenneth Hampton – Fiscal Manager

Narrative for Recommendation 3.1 including action plan.
SWM agrees with the recommendation and will implement clear separation of duties over ordering and receiving change funds.

RECOMMENDATION 3.2		
We recommend that mail containing checks be retrieved, opened, and logged under dual control.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	1/10/2023	Elaine McIntosh – Office Coordinator

Narrative for Recommendation 3.2 including action plan.
SWM agrees with the recommendation and will implement dual control for mail containing checks that will include retrieving, opening, and logging the checks under dual control. Both parties will verify and initial the funds transfer receipt.

AUDIT FINDING 4: Video Surveillance System Was Not Reliable.

RECOMMENDATION 4.1		
We recommend that management periodically check the video surveillance footage system to ensure that it is functioning as expected and to review staff activity.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	1/31/2023	Krystalyn Quirarte – Office Manager

Narrative for Recommendation 4.1 including action plan.
SWM agrees with the recommendation and will verify monthly video surveillance footage to confirm the system is functioning properly, review staff activity and will retain video footage for at least 90 days.

RECOMMENDATION 4.2

We recommend that management develop written policies and procedures on video surveillance management and retention.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	03/31/2023	Krystalyn Quirarte – Office Manager

Narrative for Recommendation 4.2 including action plan.
 SWM agrees with the recommendation and will develop written policies and procedures on video surveillance management and retention.

AUDIT FINDING 5: Main Vault Audit Trail Not Functioning.

RECOMMENDATION 5.1		
We recommend that management ensure that the Vault Audit Trail Report is properly configured to show individual users, dates, and times whenever the vault is opened and closed.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	2022	Krystalyn Quirarte – Office Manager

Narrative for Recommendation 5.1 including action plan.
 SWM agrees with the recommendation and properly configured the Vault Audit Trail Report in December 2022 to show individual users, dates, and times whenever the vault is opened and closed.

RECOMMENDATION 5.2		
We recommend that management engage the software providers and IT Division, as needed, to ensure users are enabled and properly trained to generate and review the Vault Audit Trail reports.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	1/12/2023	Krystalyn Quirarte – Office Manager

Narrative for Recommendation 5.2 including action plan.
 SWM agrees with the recommendation. SWM worked with I.T. to provide access, generate reports and trained to review the Vault Audit Trail Report.

RECOMMENDATION 5.3		
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SALT LAKE VALLEY SOLID WASTE MANAGEMENT FACILITY

We recommend that management periodically review Vault Audit Trail Reports to monitor activities of users and prevent/detect misuse.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	1/31/2023	Krystalyn Quirarte – Office Manager

Narrative for Recommendation 5.3 including action plan.
SWM agrees with the recommendation. Management will review monthly Vault Audit Trail Reports to monitor activities of users and prevent/detect misuse.

AUDIT FINDING 6: Insufficient Oversight of Credit/Debit Card Variances.

RECOMMENDATION 6.1		
We recommend that management ensure all differences between the credit card system and Waste Works are investigated and documented and that appropriate action is taken to resolve the overage or shortage, where possible.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	2022	Tayvia Lindsley – Accountant Krystalyn Quirarte – Office Manager

Narrative for Recommendation 6.1 including action plan.
SWM agrees with the recommendation. Management has implemented measures to ensure all differences between the credit card system and Waste Works are investigated and documented and appropriate action is taken to resolve the overage and shortage where possible.

RECOMMENDATION 6.2		
We recommend that reviews and approvals of reconciliation documentation include review of credit card variances to ensure they were noted and investigated during the reconciliation process.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	2022	Tayvia Lindsley - Accountant

Narrative for Recommendation 6.2 including action plan.

SWM agrees with the recommendation. As of October 2022, SWM implemented a weekly reconciliation of credit card transactions to ensure that there are no variances and will continue do so.

RECOMMENDATION 6.3		
We recommend that management train cashiers on proper handling of credit card transactions, including waiting at least five minutes before running another transaction for the same amount on the same card.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	1/31/2023	Krystalyn Quirarte – Office Manager

Narrative for Recommendation 6.3 including action plan.
 SWM agrees with the recommendation. SWM will train cashiers on proper handling of credit card transactions, including waiting at least five minutes before running another transaction for the same amount on the same card.

RECOMMENDATION 6.4		
We recommend that management introduce annual training for employees with cash handling responsibilities.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	3/31/2023	Krystalyn Quirarte – Office Manager

Narrative for Recommendation 6.4 including action plan.
 SWM agrees with the recommendation. SWM will provide annual training for employees with cash handling responsibilities.