

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

FINANCIAL MANAGEMENT DEPARTMENT - UTILITIES CUSTOMER SERVICES DIVISION
LANDFILL SCALEHOUSE OPERATIONS - CASH HANDLING PROCEDURES AUDIT

A U D I T R E P O R T

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A U D I T R E P O R T

The Internal Audit Department conducted a limited scope audit of the cash handling procedures of the Landfill Scalehouse Operations for the audit period July 1, 2003 through August 31, 2004. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

BACKGROUND:

The Landfill Scalehouse Operations Section is under the Utilities Customer Service Division of the Financial Management Department. This Section provides for the weighing of vehicles entering and departing from the landfill, calculation of charges in accordance with the Board approved fee resolutions, issuance of weigh tickets, and the receipts of payments for cash account customers.

PURPOSE/OBJECTIVES:

The main audit objectives included, but were not limited to, the following:

Determine the adequacy of the internal controls for all the cash handling activities.

Determine whether the Landfill Section has appropriate procedures in place for the collection and control of the cash handling functions.

Determine whether cash is appropriately safeguarded.

SCOPE:

The audit scope consisted of a review of the cash handling activities for the period July 1, 2003 through August 31, 2004.

METHODOLOGY:

Internal control evaluations were accomplished by reviewing key operations of this specified area through discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the Landfill Scalehouse Operations Cash Handling Procedures Audit for the period ending August 31, 2004.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain policies and rules, obtained an understanding of internal controls, and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with policies and other rules established by the Board of County Commissioners.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

Management is responsible for establishing and maintaining an effective system of internal accounting controls. This system should be under continuing review by management to determine that it is functioning as prescribed and is modified as appropriate for changes in conditions. In planning and performing the limited scope audit of the Landfill Scalehouse Operations for the year ended August 31, 2004, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be considered an internal control weakness. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. Except as noted in this report, we did not note any other significant matters involving internal control weaknesses.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be given for each Area for Improvement. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Landfill Scalehouse Operations Section's Management Team and the Internal Audit Department. The Management Team included Dan Schlandt, Financial Management Department Financial Administrator; John Barnott, Utilities Customer Services Division Administrator; Barbara Redmond, Customer Service Center Manager; and Sue Ciccione, Solid Waste Coordinator. Other minor findings noted during the audit were discussed and/or corrected during the audit, and are included in a memo to management.

MANAGEMENT SUMMARY:

The Landfill Scalehouse Operations Section is responsible for the weighing of all vehicles that enter the Landfill and the collecting of revenues. Based on the audit performed, it appears that the Scalehouse Operations Section is staffed by dedicated individuals who have been properly weighing the vehicles and creating invoice tickets for customers. In addition, cash received daily is deposited timely. Overall, the Landfill Scalehouse Operations Section appears to be functioning properly with the exception of the following areas where we believe improvements can be made:

- Cash drawers at the scalehouse do not have individual locks to secure the cash when cashiers go on breaks and lunch. Management has been working with Facilities Management Department to obtain individually keyed locks for the cash assigned to cashiers.
(See Area for Improvement #1 on page 5.)
- The Scalehouse operators use pre-numbered, two-part cash receipt books for specific transactions and distributes a receipt to the customer and another copy is maintained as part of that day's work. Controls could be improved by maintaining a copy permanently in the receipt book to allow for supervisory review over the receipts issued. The Management Team through its management action plan will purchase three-part receipt books and begin having the supervisor review all issued receipts.
(See Area for Improvement #2 on page 5.)
- Controls over the Scalehouse's video recording device could be improved by training the operators to use the recording device properly including proper sequencing of the video tapes. Supervisory controls can also be enhanced by having the supervisor review the video tapes periodically to ensure the device is functioning correctly and the daily activity appears reasonable. The Management Team through its management action plan will have the supervisor periodically review the video tapes and have already trained the operators on the proper use of the recording device.
(See Area for Improvement #3 on page 6.)

We appreciate the efforts of management in addressing the issues raised during the audit and aggressively seeking solutions to these matters. We believe through the implementation of the Management Action Plan included in this report, controls will be strengthened, improving accountability.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Richard J. Orienti, CIA, CFE
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court and Comptroller

AREA FOR IMPROVEMENT #1

Subject: Security over Cash Drawers

Cash drawers at the scalehouse do not have individual locks. Individual locks are needed when cashiers go on breaks and lunch so that they can secure cash for which they are solely responsible. Management has been working with Facilities Management Department to obtain individually keyed locks for cash assigned to cashiers.

Management Action Plan:

- We support management's efforts to have the Facilities Management Department install individually keyed locks for all cash assigned to cashiers. The anticipated completion date is December 31, 2004.

AREA FOR IMPROVEMENT #2

Subject: Controls over the Cash Receipts Books

The Scalehouse personnel currently use pre-numbered, two-part cash receipt books for cash payments on non-sufficient funds (NSF) checks and may also use them when the computer system is not generating receipts. When such a transaction occurs, the scalehouse operator gives one copy of the receipt to the customer and the other copy is maintained as part of that day's work. Since a copy of the receipt is not maintained permanently in the receipt book, supervisory control over the receipts issued is not possible to ensure that all receipts used were for legitimate transactions.

Management Action Plan:

- Management is in the process of purchasing a three-part receipt book that will allow for better accountability over the cash receipts issued. In addition, it will permit for a simpler review by the scalehouse supervisor to ensure that all receipts issued appear appropriate. Management will also update their policies and procedures to include these changes and the supervisor's increased responsibilities over the cash receipts books. The anticipated completion date is December 31, 2004.

AREA FOR IMPROVEMENT #3

Subject: Video Taping Improvements

The Scalehouse has a video recording device to protect the scalehouse operators by discouraging and/or identifying potential robbers and to ensure the integrity of the operators working with the cash. Internal Audit reviewed several of the daily tapes and found that the cameras were properly functioning and the scalehouse operators appeared to be performing their responsibilities efficiently and effectively. Controls, however, could be improved by training the operators to use the recording device properly including properly sequencing of the video tapes. Supervisory controls can also be enhanced by having the supervisor review the video tapes periodically to ensure the device is functioning correctly and the daily activity appears reasonable.

Management Action Plan:

- During the audit, scalehouse operators have been trained in proper procedures of using the recording device. The supervisor will begin reviewing video tapes periodically and the policies and procedures will be updated to reflect these current changes. The anticipated completion date is December 31, 2004.



Manatee County

Clerk of the Circuit Court and Comptroller

R.B. "Chips" Shore

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MEMORANDUM

TO: Jim Seuffert, Financial Management Department Director

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: December 3, 2004

RE: Landfill Scalehouse Operations Audit

Enclosed is the Internal Audit Report for the Landfill Scalehouse Operations Audit as of August 31, 2004. I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Richard Orienti at 749-1800, extension 4170.

RBS/RJO/MDB

Enclosures

