

**BROOME COUNTY  
DEPARTMENT OF  
AUDIT AND CONTROL**

**CASH HANDLING/REVENUE PROCESSING  
CONTROLS AUDIT**

SOLID WASTE - LANDFILL

**SEPTEMBER 2013**

*Alex J. McLaughlin, Comptroller*



# Broome County Department of Audit and Control

Alex J. McLaughlin, Comptroller . Jerry F. Marinich, Chairman of the Legislature

September 26, 2013

Daniel A Schofield, Commissioner:

The Department of Audit and Control has completed an audit of the Department of Solid Waste Management. The principal objective was to examine the processes and controls employed by the Department of Solid Waste Management to assess, collect, deposit and record fees.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, except for the instances noted herein, it is our opinion that the Department of Solid Waste Management has proper processes and controls in place to assess, collect, deposit and record fees.

Sincerely,

Alex J. McLaughlin  
Comptroller

cc: Jerry F. Marinich, Chairman of the Legislature  
Members of the Legislature  
Aaron M. Martin, Clerk of the Legislature  
Debra A. Preston, County Executive

**Background Information:**

The purpose of our Audit was to confirm that the Department of Solid Waste Management has adequate internal controls over cash handling functions. To meet our objective, we examined the specific processes and controls employed by the Department of Solid Waste Management to assess, collect, deposit and record fees.

Internal controls over cash are necessary to prevent mishandling of funds and to safeguard taxpayers against loss. By clearly defining responsibilities in the cash handling process, internal controls over cash handling functions also help employees to understand and execute their responsibilities.

The Department of Solid Waste Management recognized revenue of \$9,332,465 for 2012.

We examined activity, in detail, from the month of March 2013. During March, the Department of Solid Waste Management collected \$479,981 in fees.

We also examined functional responsibilities to ensure adequate segregation of duties, reviewed all relevant policies and procedures, ensured receipts were deposited intact and in a timely manner and traced transactions from the initial transaction point to the bank account and general ledger. Physical safeguards over cash were also examined.

We thank the Department of Solid Waste for their time and assistance during our audit.

**AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES**  
**- DEPARTMENT OF SOLID WASTE MANAGEMENT-**

**FINDING 1: IMPROVEMENT IN SEGREGATION OF DUTIES**

During our examination, we assessed how transactions involving cash are collected, deposited and recorded. We noted that employees collecting cash occasionally prepare the bank deposit. Additionally, employees that collect cash and prepare the deposit also are tasked with recording transactions. Internal controls over cash would be improved if the same employees did not both collect cash and prepare the deposit. Additionally, segregation of duties would be improved by tasking a different individual to record transactions.

Segregation of duties is one of the most important features of strong internal controls over cash. Ideally, the custody of assets, recording of transactions and authorization to execute transactions, should be performed by different people.

Effectively segregating duties of the different aspects of the cash handling process increases the likelihood that innocent errors will be found and flagged for correction. Additionally, proper segregation of duties reduces the risk of fraud as it would require collusion by two or more individuals.

**RECOMMENDATION:**

We recommend that Solid Waste Management improve segregation of duties over cash transactions by assigning different employees the tasks of collecting cash, preparing deposits and recording transactions.

**MANAGEMENT RESPONSE:**

The Division recently made the change from self-reconciliations to having OMB perform the monthly reconciliation for Solid Waste Management. Because of the limited number of staff, it is not possible to fully separate cash handling, transaction recording and deposit preparation as job responsibilities blend across scale house operations. At least two staff members count cash at the end of each day. Cash is reconciled and turned over to security for deposit each day.

## **FINDING 2: IMPROVEMENT IN PHYSICAL SAFEGAURDS TO PROTECT CASH**

During our examination, we evaluated physical safeguards in place to prevent the loss of cash. We noted that the cash drawer used at the commercial scale house is not always adequately secured after hours. We also noted that controls are not in place to ensure that combinations are changed, keys are collected and/or locks are changed periodically or at least with turnover of staff.

Physical safeguards over cash is an important aspect of internal controls. All forms of currency should be appropriately safeguarded to reduce the risk of theft or loss of cash.

Effectively employing physical safeguards over cash reduces the opportunity for theft or loss of cash to occur.

### **RECOMMENDATION:**

We recommend that Solid Waste Management improve their physical safeguards over cash by locking the commercial scale house drawer in the safe every night. Additionally, we recommend that safe combinations are changed, keys are collected and/or locks are changed periodically or at least with turnover of staff.

### **MANAGEMENT RESPONSE:**

This cash drawer is kept in a locked and alarmed building. It is stored in a locked filing cabinet drawer. Every Friday it is taken to the main scale house and secured in the safe in that building for the weekend. There is never any more than \$100 cash left over night. All cash received through the course of the day is taken to the main scale house at the end of the business day. Purchasing a safe for this building would not be cost effective for such a small amount of cash.

We plan to change the combination of the safe and the alarm code within 30 days and will put a policy in place for an immediate change when scale house personnel changes.

### **FINDING 3: SOLID WASTE MANAGEMENT SHOULD DEVELOP WRITTEN POLICIES AND PROCEDURES**

During our examination, we assessed written policies and procedures for Solid Waste Management. Upon review, we noted that while the Department did have some written policies and procedures, many of them are not up to date with current practices. We also noted that Solid Waste Management does not maintain written emergency procedures that cover workplace violence, robbery, and the potential need for immediate evacuation of workstations ( eg: fire or some other emergency ) etc...

Written policies and procedures help provide reasonable assurance that an organization will achieve its objectives, that assets and resources will be adequately safeguarded and that various functions are being performed by the appropriate personnel and in the proper manner.

Maintaining current written policies and procedures inform employees of their duties and responsibilities. Written policies and procedures can also serve as a training resource when employees change jobs or retire.

#### **RECOMMENDATION:**

We recommend that Solid Waste Management develop and maintain written cash handling and recording policies and procedures.

We also recommend that Solid Waste work with the Security Department for the purpose of developing written policies and procedures related to workplace violence, robbery, and the potential need for evacuation, etc...

#### **MANAGEMENT RESPONSE:**

The Division agrees to update the current policies and procedures. Solid Waste Management recently purchased a workplace violence video that will be viewed by all employees within the next few months. The Division will also review and update the site evacuation procedure. We agree to work with Security regarding robbery procedures.

#### **FINDING 4: EMPLOYEES SHOULD BE RESPONSIBLE FOR OWN CASH DRAWER**

During our examination, we assessed how transactions involving cash are collected. We noted that employees collecting cash are not assigned and held responsible for their own cash drawer. Internal controls over cash would be improved if all employees charged with collecting fees are assigned their own cash drawers.

Maintaining a separate cash drawer for each employee that is charged with collecting fees increases accountability and helps to reduce the risk of theft or loss of cash.

Accountability of separate cash drawers for each custodian increases the likelihood that innocent errors will be found and flagged for correction. Additionally, separate cash drawers reduces the risk of theft or fraud.

#### **RECOMMENDATION:**

We recommend that Solid Waste Management assign a separate cash drawer to each employee. While, the Department does balance and maintain evidence of supervisory review, it would increase accountability if each employee's cash drawer was balanced and approved separately. Additionally, Daily Tally Sheets that are maintained by the Department should be signed by both the drawer custodian and the approver.

#### **MANAGEMENT RESPONSE:**

Given the limited staff, the Department does not agree with this recommendation, but will have an extra cash drawer added for training purposes. Currently cash drawers are counted and balanced each day.

**FINDING 5: SUPERVISORY REVIEW OF VOIDED OR CANCELLED TRANSACTIONS**

During our examination, we inquired about voided or canceled transactions. We noted that while one of the clerks does keep track of and routinely review canceled or voided transactions there is no supervisory review of the transactions.

Voided transactions should be well documented and routinely reviewed at a supervisory level to help prevent and detect fraud.

Routinely reviewing canceled and/or voided transactions makes it more difficult for cashiers to accept a customer's payment, issue a receipt, and then later void and/or cancel the transaction and pocket the cash.

**RECOMMENDATION:**

We recommend that Solid Waste Management review voided and/or canceled transactions at the supervisory level.

**MANAGEMENT RESPONSE:**

This procedure will now be completed by the Management Associate for the Department. This staff member is not located at the scale house.



## **FINDING 6: BACKGROUND CHECKS SHOULD BE ROUTINELY PERFORMED**

During our examination, we inquired about whether or not background checks were done for potential employees with cash handling responsibility. Of the five (5) employees with cash handling responsibility that we inquired about, we noted that three (3) employees had not had a background check performed. Two of these employees were hired prior to the County's establishment of such background checks as a standard procedure.

Background checks for sensitive positions are considered a best practice.

Proper background checks can be an effective internal control that can, to the extent that prior history can be a predictor of future behavior, reduce the risk of dishonesty losses.

### **RECOMMENDATION:**

We recommend that Solid Waste Management request background checks for all prospective employees that will have responsibility for cash handling.

### **MANAGEMENT RESPONSE:**

The division agrees to ensure all new hires will have a background check performed by Broome County Security.

The Department questions whether this process should be a County wide policy initiated by the Personnel Department in coordination with Broome County Security.

## **REPORT SUPPLEMENT**

Solid Waste Management does not accept credit cards.

As a result, sometimes casual users of the Landfill are unable to pay after having disposed of their trash items, because they are not carrying cash.

In these instances, a receivable is established and the customer is given time to submit payment. This not only inconveniences the customer, but it creates extra work for Department staff and could, potentially, lead to non-payment and/or collection efforts.

Most customers expect to be able to use credit cards in retail transactions. We think that Solid Waste Management should consider accepting credit card payments.

### **RESPONSE:**

The Department is currently reviewing the option of credit cards with the assistance of OMB and IT.