

**PUBLIC WORKS DEPARTMENT  
CITYWIDE SERVICES  
SUPPLEMENTAL GARBAGE CAN SALES  
AUDIT 07-07  
November 30, 2007**



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

January 8, 2008

Honorable Ron Littlefield  
Mayor, City of Chattanooga  
City Hall  
Chattanooga, TN 37402

RE: Supplemental Garbage Can Sales, Audit 07-07

Dear Mayor Littlefield:

Attached is the Internal Audit report on supplemental garbage can sales.

We thank the management and staff of Citywide Services for their cooperation and assistance during this audit.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Stan Sewell', with a long horizontal line extending to the right.

Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit

cc: Dan Johnson, Chief of Staff  
Bill Neighbors, Operations Coordinator  
Daisy Madison, City Finance Officer  
Steve Leach, Public Works Administrator

**PUBLIC WORKS DEPARTMENT  
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**Auditor**

  
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**Director**

**PUBLIC WORKS DEPARTMENT  
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**INTRODUCTION**

City residents purchase garbage cans from Citywide Services on a regular basis. The City will service a maximum of two garbage cans per address, but the City only provides one garbage can free of charge to each address. If someone has the need for a second garbage can, they must purchase it from the City. City residents purchase garbage cans if their original garbage can gets damaged, lost, or stolen. When someone requests to purchase a garbage can, the City charges \$60.00 per can.

**STATEMENT OF OBJECTIVES**

The objectives of this audit are to determine if:

1. There are adequate written policies/procedures for supplemental garbage can sales.
2. Receipts are turned in to the Treasurer's office within the required three (3) day period.
3. Controls are in place to ensure that all collections are properly accounted for.
4. Controls are in place to ensure that inventory is properly accounted for.

**STATEMENT OF SCOPE**

The audit period was FY07 (July 01, 2006 through June 30, 2007).

**STATEMENT OF METHODOLOGY**

IA reviewed information from BANNER, CSR, and City Works to obtain information about collections that were received for supplemental garbage can sales. IA also reviewed Collection Reports and the related supporting documentation. IA also met with staff from Citywide Services, Information Services, and 311 to obtain an understanding about the supplemental garbage can sales process.

## **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions. In addition, we abide by the standards of professional practice established by the Institute of Internal Auditors.

## **AUDIT CONCLUSIONS**

Based upon the testwork performed and the audit findings noted below, we conclude that:

1. There are no written policies/procedures in place for supplemental garbage can sales.
2. Receipts are not being turned into the Treasurer's office within the required three (3) day period.
3. Controls are not in place to ensure that all collections are properly accounted for.
4. Controls are not in place to ensure that inventory is properly accounted for.

## **WRITTEN POLICIES/PROCEDURES NOT IN PLACE**

Citywide Services has no written policies/procedures in place to provide guidance for the supplemental garbage can sales process. Due to a lack of written policies/procedures there was no reasonable assurance regarding the achievement of safeguarding assets, ensuring validity of financial reports and records, or effectiveness and efficiency of operations.

## **RECOMMENDATION 1**

IA recommends that Citywide Services document internal policies and procedures, business practices, and goals and objectives. Employees should have ready access to departmental policies and procedures (hard copy, computer-based or web-based). Citywide Services should document receipt of such policies by all staff. These procedures should ensure proper internal controls, which include but are not limited to:

- Segregation of Duties
- Proper Authorization and Approval
- Proper Review and Reconciliation
- Proper Physical Security of Assets
- Proper Training and Supervision

### **AUDITEE RESPONSE**

We concur. Citywide Services will document internal policies and procedures to include the recommended controls. This is assigned to the new incoming Sanitation Superintendent with a suspense date for completion of March 31, 2008.

### **COLLECTIONS NOT SUBMITTED TIMELY**

TCA 6-56-111, states, "Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts." IA reviewed twenty-one (21) collection reports from FY07 that reported revenue from garbage can sales. Since receipts were not available, IA examined the dates that were listed on each check/money order and compared them to the collection report date to try to determine if the funds were being turned into the Treasurer's office within the required three day period. For sixteen (16) of the twenty-one (21) collection reports that were examined, the date of the most recent check received (compared to the collection report date) was at least seven (7) calendar days prior to the collection report date. One collection report that was prepared during FY07 included a check that was dated 56 days prior to the date of the collection report. Based on this information, it appears that Citywide Services is not turning in the checks/money orders to the Treasurer's office within the required three (3) day period.

### **RECOMMENDATION 2**

IA recommends that Citywide Services submit all collections received for supplemental garbage can sales to the Treasurer's office within three days of initial receipt.

### **AUDITEE RESPONSE**

We concur. Citywide Services will submit all collections received for supplemental garbage cans sales to the Treasure's office within three days of initial receipt. Assigned to Citywide Services Inventory Control Coordinator. Completed January 1, 2008.

### **RECEIPTS NOT ISSUED**

TCA 9-2-103 states, "Each state, county and municipal official who receives any sum or sums in such official's capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official...." Citywide Services does not issue a receipt to the payer for the payments that are received for the supplemental garbage can sales. This is a violation of TCA 9-2-103. Further, failure to issue receipts results in a weak internal control environment that is susceptible to theft.

### **RECOMMENDATION 3**

Internal Audit recommends that Citywide Services issue a receipt to each resident that purchases a garbage can as well as retain a duplicate receipt in their files in order to be in compliance with TCA 9-2-103 and to safeguard funds. IA also recommends that management reconcile the receipt totals to the corresponding collection report totals.

### **AUDITEE RESPONSE**

We concur. In compliance with the recommendation, Citywide Services will issue a receipt to each resident that purchases a garbage can and reconcile the receipt totals to the corresponding collection report totals. Assigned to Citywide Services Inventory Control Coordinator. Completed January 1, 2008.

### **DATA NOT TRACKED EFFICIENTLY**

The CSR (311) and City Works (Public Works) systems do not appear to accurately track data related to garbage can sales revenue. 311 staff initially receive calls and create service requests in CSR. Service request information is then interfaced from CSR to City Works. Citywide Services staff access, update, and complete these service requests using City Works. Once the work is completed, the service request in City Works is closed out and is interfaced from City Works back to CSR. A CSR report and a City Works report generated for IA by Information Services showed that \$23,100.00 was collected during FY07 (related to purchases of additional/stolen cans). BANNER/Collection Reports (reviewed by IA) showed that \$14,220.00 was actually collected during FY07 (related to purchases of additional/stolen cans). The higher collection amount listed in CSR and City Works appears to be the result of no money being received for some of the service requests that are maintained in the systems. However, the higher collection amount listed in CSR and City Works could also be the result of employee theft. Poor systems and documentation prevent us from being able to determine if this is the case.

### **RECOMMENDATION 4**

IA recommends that Citywide Services work with IS to ensure that the systems involved in the garbage can sales process are tracking data efficiently throughout the entire garbage can sales process.

### **AUDITEE RESPONSE**

We concur. Citywide Services will work with IS to effect the recommendation. A copy of both the recommendation & response has been forwarded to IS for their review. Open suspense date.

### **PERPETUAL INVENTORY SYSTEM NOT IN PLACE**

Section 2-5 of the City Code states, "Each department and agency of the City shall, under the supervision of the city finance officer, keep a perpetual inventory of the city property under its control, and shall furnish such reports in relation thereto as the city finance officer may require." Citywide Services does not maintain a perpetual inventory system for their garbage can inventory. Without proper inventory controls in place, there is a risk that inventory will be misappropriated.

### **RECOMMENDATION 5**

IA recommends that Citywide Services implement a perpetual inventory system and the related proper controls so that they will be in compliance with Section 2-5 of the City Code.

### **AUDITEE RESPONSE**

We concur. IS has been addressing the perpetual inventory system recommendation. The current status is that it is to be incorporated into City Works software. If this is not forthcoming, Citywide Services is prepared to initiate a Basic Inventory Control (BIC) program to maintain a perpetual inventory.

### **SYSTEMS ERRONEOUSLY INDICATE MONEY RECEIVED**

IA found (based on work comments listed in City Works) that some of the service requests from FY07 were closed when a payment was not received or a stolen can was found after a caller had requested to purchase a can. After these items were closed, there was still a \$60.00 collection amount associated to the service request in the CSR system and City Works system. The systems showed that \$60.00 was collected for all service requests that were created, regardless if a \$60.00 payment was received for each service request.

### **RECOMMENDATION 6**

IA recommends that Citywide Services work with IS to modify CSR/City Works so the systems will track changes to service requests and accurately track the amount of funds received related to garbage can sales. Until then, staff should provide a manual reconciliation of garbage can sales data that is included as a part of each collection report.

### **AUDITEE RESPONSE**

We concur. Citywide Services will work with IS to effect the recommendation. A copy of both the recommendation & response has been forwarded to IS for their review. Open suspense date.

## **RECONCILIATION OF COLLECTIONS TO CANS PLACED**

Management is not reconciling the garbage can sales data on a regular basis. A garbage can accountability spreadsheet was maintained during FY07. However, there did not appear to be any management review or reconciliation of the payments received and garbage cans placed in service during FY07.

## **RECOMMENDATION 7**

IA recommends that management perform a periodic reconciliation of garbage can placements/sales data. In this reconciliation, supporting documentation should be reviewed to tie the funds collected from garbage can sales to the number of garbage cans that are removed from the warehouse and placed in service.

## **AUDITEE RESPONSE**

We concur. Management review will be completed in compliance with the recommendation with a suspense date for completion of March 31, 2008.