City of Ocala
OFFICE OF THE INTERNAL CITY AUDITOR
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To: The Honorable Daniel Owen, President of the Council
The Honorable Suzy Heinbockel, President Pro Tem
The Honorable Mary Sue Rich
The Honorable John Priester
The Honorable R. Kent Guinn
The Honorable Randy Ewers, Mayor
Matthew Brower, City Manager
Patrick Gilligan, City Attorney
Catherine Cameron, Assistant City Manager, Public Services
Glenn Kerns, Director, Public Works

Please find attached the Public Works – Residential Sanitation Audit Report Number FY11-08. Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our observations and conclusions.

Departmental management has responded to the recommendations presented at the exit conference.

Jeanne Covington 9/22/11

Jeanne Covington, Internal Auditor Date

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Public Works – Residential Sanitation
Audit Report Number FY11-08
Exit Conference: September 20, 2011

Participants: Catherine Cameron, Glenn Kerns, and Jeanne Covington

Internal Audit thanked Sanitation personnel, especially Shirley McLean, Administrative Specialist III, for their courtesy and cooperation during the course of the audit. The Fiscal Year 2011 Sanitation Division Budget, which includes Residential and Commercial, projects revenues of over $10 million. Residential Sanitation, with 46 employees, provides semi-weekly household garbage collection and additional services including disposal of appliances and yard waste. As of July 31, 2011, Residential sanitation has 20,884 customers. Charges for sanitation services are included in the monthly utility bills to consumers of electricity or water within the City limits. The utility billing system is currently being converted from PeopleSoft to Cogsdale; the conversion is anticipated to be complete during the second quarter of fiscal year 2012.

Purpose: To determine if residential solid waste services were accurately billed, if solid waste container inventory is accurate and complete, if rates charges to customers were properly calculated and collections of missed household garbage pickups were timely.

Scope: Residential solid waste services for the period of October 1, 2010 – July 31, 2011.

Approach: Reviewed procedures, interviewed key personnel, performed detailed testing on selected transactions and assessed internal controls over operational processes. Testing was designed to provide assurance that:

- customers are appropriately classified for the type of service provided,
- rates charged agree to those established by City Council,
- partial monthly rates are pro-rated appropriately,
- services in addition to routine trash collection are completed timely and customers are appropriately charged based upon rates established by City Council,
- residential cart inventory is maintained to facilitate repairs, replacement, new issues and reduce the risk of loss, and
- missed routine collections are addressed timely.

Sample testing included:

- 50 customer accounts reviewed to assure correct service rate was assigned for the type of residence and customers were accurately billed each month of service from October 2010 through July 2011,
- 50 partial billing cycle charges recalculated,
- 20 work orders for additional services to assure work performed timely and billed correctly,
- 25 carts physical location verified to inventory databases; reconciled PeopleSoft database to departmental spreadsheet, and
- Analysis of missed collections in relationship to total scheduled collections and selected 30 work orders for missed collections to assure timely resolution

Conclusion: Based upon our review, we conclude that Management has established procedures to appropriately bill for semi-weekly household garbage collection as well as additional collection services. Services were performed timely with less than .02% of missed collections during the period of our review; Management strives to address missed collections the same business day. Management also has established procedures to sufficiently maintain a physical inventory of residential collection carts to facilitate repairs, replacement, new issues, and reduce the risk of loss of the carts.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits 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 observations and conclusions.

The following summarizes opportunities to further strengthen controls, streamline residential collection cart inventory records, and enhance the utility billing system conversion.

Observations, Recommendations, and Management's Response

Management's response should include a brief description of an action plan that will mitigate risk and with an expected implementation date.

Observations	Discussion of Criteria, Cause and Effect	Recommendations	Management Response with Expected Implementation Date
Charges for partial billing cycles for new or final service is pro-rated based upon the number of days service is active within the billing cycle. The system pro-rates final bills to the day that service is stopped. If service is started within 4 days of the billing cycle, the monthly rate is charged. For service starts beyond 4 days of the billing cycle, the monthly rate is pro-rated to the number of days of service.	City Ordinance Sec. 54-124 (d) states that the base charge "shall be billed the full month charge without any proration for any period beyond the 15th day of the billing cycle, the period from the eight to the 15th shall be 50 percent of the full month base, and no base charge will be levied under eight days in a billing period. This will apply to newly created accounts, reactivated owners' accounts and final bills." The utility billing system cannot pro-rate base charges as outlined in the City Ordinance. Partial billing cycles for Sanitation services are not billed in compliance with City Ordinance.	Management should bring the system limitations with pro-rating partial month billings to the attention of the City Cabinet to determine if a change to the City Ordinance is warranted.	I am recommending rewriting the ordinance to use a pro-rating system which is use now.
The system is calculating partial billings that span over the last day of February based upon 31 days in February rather than 28 or 29 days.	Utility billing system is not correctly configured to pro-rate bills based upon the correct number of days for customers that stopped service during billing cycles including the last day of February. These customers may have incurred immaterial overcharges ranging from $1.54 to $2.16.	Internal Audit has brought this to the attention of the utility billing system conversion team to address with the new system. Management's representative on the conversion team should add this to an open items list to ensure it is working properly in the new system prior to final conversion.	Public Works will suggest both administrative personnel assigned to the conversion team so both divisions in sanitation are represented. Both will be aware of this issue.

	Observation	Discussion of Criteria, Cause and Effect	Recommendations	Management Response with Expected Implementation Date
Residential Collection Cart Inventory	Residential collection cart inventory is maintained in PeopleSoft listing the cart number, manufacturer, size, and date entered into the system. At the time a cart is assigned to a customer, the premise location is assigned in PeopleSoft. The cart and premise information is also maintained in a departmental spreadsheet that details other information (route number and collection days) which cannot be entered into PeopleSoft. This information is necessary for day-to-day business operations. A reconciliation between the two databases identified 17,287 carts assigned based upon the departmental spreadsheet compared to 17,210 carts recorded as assigned in PeopleSoft for a net difference of 77 carts or 0.4%.	Residential collection cart inventory should contain sufficient information to facilitate locating carts for repairs, replacement, issuing new carts, and tracking cart location. Due to limitations of PeopleSoft, an additional database must be maintained with all the information needed to carryout day-to-day business operations.	Residential Sanitation personnel should work with the utility billing system conversion team to determine if data fields can be added to Cogsdale to allow input of all necessary information for each cart and eliminate the need to maintain a separate spreadsheet with the data. Efforts should be made to resolve all discrepancies between the two existing databases to ensure that both accurately identify the physical location prior to the conversion of the data to Cogsdale, including the lot or apartment number for each premise.	Public Works will suggest both administrative personnel assigned to the conversion team so both divisions in sanitation are represented. Sanitation will work with IT to set up a system of checks and balances. They will need to look at various software programs in order to find a program that fits the needs of the division.

Review and Monitoring	Observation	Discussion of Criteria, Cause and Effect	Recommendations	Management Response with Expected Implementation Date
	A monthly report, COO006 Active Solid Waste Accounts summarizes the number of customers by service type. A customer's account, established February 2, 2011, was incorrectly classified with the service agreement SW-RES-3 at a monthly rate of $29.05. Service agreement SW-RES-3 (back door collection) was discontinued by the City in March 2007. The customer should have been assigned SW-RES-1 service for a single family residence with a monthly charge of $21.70.	Segregating duties of initiation, validation, and monitoring, when operating effectively, assists with detecting unintentional errors to allow timely correction. The City's utility Customer Service Office assigns the service agreement. Residential Sanitation Personnel process the resulting field order which includes validating the service agreement. Monthly reports are provided to Management to monitor the number of customers and the service agreement classification. Incorrect set up and error detection resulted in an over charge to the customer of $44.10. Residential Sanitation immediately corrected the error and issued the customer of credit for the overcharges from February – July 2011.	Personnel should ensure field order processing is fully completed to assist with detecting initial set errors prior to the customer's initial billing. Management should review the monthly report to assure that invalid service agreements have not been assigned. Management's review should be documented. Any questionable items should be investigated and corrected.	Sanitation will work with IT to set up a system of checks and balances.

Internal Audit will perform a follow-up review within ninety days from management's implementation dates.

Management and Audit mutually agreed at the exit conference that Management would respond in writing by September 26, 2011. Audit results will be distributed to the members of the Ocala City Council, select members of City Management, and will be discussed during the Auditor's Report to the Audit Committee.

If the expected implementation dates or the action plans changes, Management will notify Audit of the revisions.

Internal Audit — Date: 9/20/11

Management Signature/ Title — Date: 9/20/11