



MANAGEMENT ACTION PLAN PROGRESS REPORT

DATE: June 9, 2017

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Office
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
Bill O'Mara, Commissioner of Finance and Accounting
Dowell Hoskins-Squier, Commissioner of EQ&PW
Tracey Thurman, Director of Waste Management
Phyllis Cooper, Director of Accounting
Todd Slatin, Director of Purchasing
Susan Straub, Communications Director
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Teresa Gipson, CFE, Internal Auditor

RE: Waste Management Collections Special Request MAPPR

Background

On October 15, 2015, the Office of Internal Audit issued the Waste Management Collection Special Request Audit Report. The 2015 audit report contained several findings related to written collection procedures needed; deposits not made timely; accounts receivable process needed; segregation of duties issue; collection of fees should be centralized and extra dump fees should agree to a fee schedule; sequential dumpster permit numbers needed; reconciliations of collections to fees charged were not



performed; revenue was applied to incorrect fund; inventory procedures for Loan-A-Box were needed; continuity between payment and services rendered were needed; improved safeguard over cash was needed; control issues with Checkfront program; new contract needed with appliance disposal company; and inequity in Loan-A-Box fee structure.

This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. The period of review included Waste Management collections from July 1, 2016 through January 31, 2017.

A summary of the findings from the original audit report and a summary of the results of our follow-up are provided in the table below. The original findings, management's original responses, and details of the results of this follow-up are contained in the **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS** section of this report.

Finding	Summary of Original Finding	Follow-Up Results
Finding 1 High Priority	Written Collection Procedures Needed	WM's SOP adequately included payment receipt, payment processing and the deposit of funds. However, we noted that extra dump collections are still not centralized through the front counter. This finding is partially resolved.
Finding 2 High Priority	Deposits Not Made Timely	We noted a significant improvement was made regarding timely deposits. However, on three separate days, deposits were from 1 to 3 days late. This finding is partially resolved.
Finding 3 High Priority	Accounts Receivable Process Needed	We determined that an Excel spreadsheet has been created detailing dumpster permit receivables, and WM is working to implement a receivable software program. We still noted problems with late payments from private haulers who are direct billed for dumpster permit fees.



Finding 4 High Priority	Segregation of Duties Issue	We performed walkthroughs and noted that adequate separations of duties are now in place, thereby resolving the original finding. However, we noted during the deposit transition that cash is not always safeguarded.
Finding 5 High Priority	Collection of Fees Should be Centralized and Extra Dump Fees Should Agree to a Fee Schedule	Extra dump fees are still being taken by drivers in the field at the time of trash collection. Also, our recommendation to establish an ordinance based fee for all extra dumps is still in process.
Finding 6 High Priority	Sequential Dumpster Permit Numbers Needed	WM is currently working on the implementation of the technology solution to mitigate the issues in this finding.
Finding 7 High Priority	Reconciliations of Collections to Fees Charged Are Not Performed	Reconciliations are now being performed between Loan-A-Box payments and daily reservations, partially resolving this finding. A complete reconciliation of extra dump fees is not occurring because the total population of such fees cannot be determined.
Finding 8 High Priority	Revenue Applied to Incorrect Fund	We did not note any Loan-A-Box or Extra Dump revenue being applied to the wrong fund. This finding has been resolved.
Finding 9 High Priority	Inventory Procedures for Loan-A-Box Needed	WM is now using a GPS tracking process called RACO to maintain accurate locations of inventory. This finding has been resolved.
Finding 10 High Priority	Continuity between Payment and Services Rendered Needed	WM is now including the Quick Receipt number on the bottom of the payment log as a cross reference. Testing noted no problems. This finding has been resolved.



Finding 11 High Priority	Improved Safeguard over Cash Area Needed	The front counter door is locked and cash is locked inside a drawer. At the end of the day, cash is removed to the safe. This finding has been resolved.
Finding 12 High Priority	Control Issues with Checkfront Program	Checkfront still has an inherent control issue allowing changes on a previously paid reservation. WM periodically reviews edit reports in Checkfront, but the review is not documented.
Finding 13 High Priority	New Contract Needed With Appliance Disposal Company	After fieldwork had been completed, WM stated they are in the process of obtaining quotes from scrap metal vendors and will be executing an agreement within the near future.
Finding 14 High Priority	Inequity in Loan-A-Box Fee Structure	An internal review of the Loan-A-Box program was performed at the request of the WM Director. The internal review determined that the fees associated with the Loan-A-Box program will need to be reviewed by Law and the Council.

SUMMARY OF AUDIT FINDINGS

Original Finding #1: Written Collection Procedures Needed Priority Rating: High

Condition:

Written procedures are an important control that provides process instruction, performance standards, and a basis for measuring compliance with management expectations. At the beginning of fieldwork, we determined that workflow processes for the collection activity of dumpster permit fees, extra dump fees, Loan-A-Box fees, and appliance recycling revenue were not adequately documented. Employees in these areas had been provided CAO Policy #40; however, workflow within each collection area was not clearly documented or understood.



Effect:

The absence of approved written procedures could result in LFUCG personnel being inconsistent in the proper collection, safeguarding, accounting, and depositing of collections in these areas. The absence of approved procedures may also result in employee failure to comply with management's performance expectations, and makes it more difficult to train employees and hold them accountable for the proper implementation of their training.

Recommendation:

Written procedures regarding the collection function in the areas of dumpster permit fees, extra dump fees, Loan-A-Box fees, and appliance recycling revenue should be developed. Once this process has been completed, the procedures should be clearly communicated to employees with an interactive training period to provide for complete understanding of each collection area and management expectations. Additional training on compliance with CAO Policy #40 is also recommended.

Director of Waste Management Response:

Written procedures for receiving funds for Loan-A-Box, dumpster and extra dump services have been developed. The procedures address payment receipt and processing at the Division's front desk either by mail or in person. The Division of Waste Management does not handle recycling fees. The Division of Revenue receives any funds associated with the program. Additional procedures are in the process for extra dump services and recycling fees to be completed by December 31, 2015. Training is ongoing for personnel directly involved in these services.

Commissioner of Environmental Quality & Public Works Response:

Agree with recommendation and Division's response.

Follow-Up Detail Results:

We reviewed WM's Standard Operating Procedure regarding mail handling, front desk money handling procedures, and closing procedures. The procedures adequately included payment receipt, payment processing and the deposit of funds. Therefore, this finding is partially resolved.

However, as indicated in Finding #5, we noted that fees for extra dumps are still being taken by drivers in the field during pick up. We recommend that all collections be centralized to only occur at WM's Front Counter. This directive



should be documented as part of the collection process and disseminated to all employees.

Director of Waste Management Response:

Even though the fees are still collected in the field at this time, the customer is now required to call into LexCall and request an extra dump. The request is sent to the supervisor to collect the fees and turn into the front desk for receipt to revenue. This is a short term fix to account for all extra dump fees collected until the procedure for accepting credit card payments is fully implemented in July 2017. The Division has established an agreement with Kentucky Interactive to implement electronic payment processing to allow credit card transactions. The contract was approved thru Council Resolution 278-2017 on May 11, 2017 and work is in progress to achieve implementation.

Commissioner of Environmental Quality & Public Works Response:

Concur with Division's response.

Original Finding #2: Deposits Not Made Timely

Priority Rating: High

Condition:

We noted that WM personnel are not adhering to the CAO Policy #40 guidelines of depositing collections within two days of receipt. Our testing noted that:

- 22 of 35 (63%) Loan-A-Box payments from FY 2014 & FY 2015 were deposited from 1 to 79 days late.
- 5 of 17 (29%) additional Loan-A-Box payments tested from January – April 2015 were deposited from 1 to 5 days late.
- 13 of 17 (76%) Dumpster Permit payment transactions were deposited from 15 to 41 days late.

The average number of days for deposit was approximately 32 days from date of receipt.



Effect:

Funds may be lost or misappropriated if not deposited in a timely manner. LFUCG does not have use of the funds until they are deposited.

Recommendation

CAO Policy #40 Check and Cash Handling Procedures states that all funds received by Departments and Divisions making deposits via the Revenue collection counter should be immediately endorsed and presented to the collection counter within one business day of receipt for locations in the downtown campus, and within two business days for the outlying locations. The Division of WM should consistently adhere to the two business day requirement.

Director of Waste Management Response:

Concur with the recommendation. Employees received CAO Policy #40 in July 2014. However, employees were not in compliance based on the audit. The administrative section has been realigned under an Administrative Principal. Additional training has been conducted with employees on CAO Policy #40. There are now guidelines and procedures in place to ensure compliance. Deposits are made within twenty-four hours of receipt. The Division of Waste Management will continue to monitor the process and provide continuous training.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor compliance.

Follow-Up Detail Results:

We noted that the Administrative Principal now oversees all collection activity and employees performing the duties understand the requirement to safeguard cash and deposit funds daily. Therefore, this finding is partially resolved.

We performed testing of the Front Desk – Accounts Received logs and noted a significant improvement was made regarding timely deposits. However, on three separate days, deposits were from 1 to 3 days late.

Director of Waste Management Response:

In regard to the Cash & Check Handling Policies and Procedures, due to holidays, vacations, sick leave and other emergencies, it occasionally will take an extra day to complete the deposit cycle. Based on audit sampling in December, this can distort the deadline date when the holiday comes on a weekend day



causing extra days to get revenue reported. Often times during the end of December and first weeks of January staffing levels are not at 100%, thus causing a temporary staff shortage. Because of the amount of personnel needed to separate duties and not have the same person perform more than one task, it becomes challenging to meet the prescribed requirements. Outlining areas are allowed up to 48 hours after collection. On one week in December 2016 due to schedules, there was an incident that occurred (all in same week) where there was a delay, but this is not a recurring action and more personnel has been trained since that time and can assist with backup procedures. Our collection day ends at 5:00pm. Revenue is not open and our staff's day also ends at 5:00pm. Revenue is receipted first thing the next business day. Due to timing, the first business day for receipting starts at 8:00am on the next business day since the end of the previous day renders it impossible to complete the required reports without accumulating overtime every day. This should address this finding.

Commissioner of Environmental Quality & Public Works Response:
Concur with Division's response.

Original Finding #3: Accounts Receivable Process Needed
Priority Rating: High

Condition:

We noted that there were no accounts receivable processes in place to track payments due in the dumpster permitting collection area. The mainframe system is being used to generate a monthly billing and an Excel spreadsheet is used to compile all permit and payment information. However, outstanding invoices were not being monitored and payment of invoices was not always made on a timely basis. There were no accounts receivable processes in place to track invoices or to reconcile payments to invoices.

Through our substantive testing, we determined there were four invoices for dumpster permit fees from FY 2015 had been outstanding from two to six months. In addition, there was no corresponding payment information entered in Dumpster Pro that ties the dumpster permit number to the payment received. Dumpster Pro is not designed to be a payment program; therefore, the information only contains the address, effective date, permit action and number, type of request, requestor comments, and office comments. All billing and payment information is maintained in external programs that do not interface with one another.



Effect:

Revenues may go uncollected if receivables are not monitored.

Recommendation:

A comprehensive accounts receivable procedure should be implemented for all collection activity that involves billing for services rendered at WM. Special consideration should be given to obtaining a computerized accounts receivable program. Division of Waste Management personnel should seek the assistance of the Division of Enterprise Solutions to select an Accounts Receivable program that will accommodate their specific needs.

Director of Waste Management Response:

The Division of Waste Management is working with Computer Services to identify a program to track invoices billed and collected. At this time, an appropriate solution appears possible through the Accela or Vebridge programs. The LFUCG Computer Services group, Waste Management's IT and Enforcement teams are working with both Accela and Vebridge vendors to develop a new dumpster permitting application. Accela has provided a quote of \$150,000 and Vebridge has provided a quote of \$85,000 for review. The WM IT and Computer Services group are working with Accela on reducing the quote since it included previously purchased software. Once funds have been secured and a vendor selected, the timeline for the new application would be six to eight weeks for Accela and three-six months for Vebridge based on available resources. The new application will greatly improve the permitting application process from start to finish. The Accela application will be hosted/web-based and will link to the new LFUCG CS-Enquesta payment application (ETA late Fall 2015) that will allow for on-line payments for permits. Vebridge would use the Enterprise version of on-base to create a workflow for the permitting application. The Division of Waste Management will continue to pursue a technology solution to this matter.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor compliance.

Follow-Up Detail Results:

During our follow-up review, we determined that an Excel spreadsheet has been created that detailed the billing date of invoices and the payment received date. We were able to determine that outstanding invoices were being monitored through various internal and external e-mails.



Based on our testing, we again noted that dumpster permit payments from private haulers who are direct billed are not being made on a timely basis. Such payments were received as late as five months after billing. We also noted that invoices did not contain specified terms of payment such as Net 30, which may be the cause for late payments.

When we inquired about the status of the receivable software management mentioned in their previous response, we were provided an update indicating WM is still working on the implementation of the technology solution due to a variety of factors, many of which were outside WM's control. WM's update is provided below:

Waste Management is still working on the implementation of the technology solution. In FY 2016, Waste Management didn't have the necessary funding available to implement a new Dumpster Permitting tool. The project was postponed until the funding became available in FY 2017. The funding was included in the FY 2017 capital budget request and was approved as part of the FY 2017 budget. Waste Management continued to work with Accela as recommended by LFUCG Computer Services Enterprise Application Group to condense the quote originally provided and obtain a Statement of Work for the project. Several revisions and updates to the quote and Statement of Work were needed in order to meet the funding that was obtained for the project. The finalized Statement of Work was submitted to the LFUCG Law Dept. in Oct 2016 for review. The LFUCG Law Department recommended changes which were sent back to Accela in November 2016 for updating. Waste Management continued to work with Computers Services and the LFUCG Accela Subject Matter Experts on other possible solutions. An alternative solution was approved by Waste Management, Waste Management IT Project Manager, Computer Services and the CIO during the week of Nov 17th 2016 to use a 3rd party Accela integrator called S-cube to configure the Land Management module for the Dumpster Pro Application. S-cube will provide the same record types and reporting that Accela Professional Services had quoted and proposed in the final Statement of Work. S-cube will be able to do the work in 300 hours which is less than the timeline proposed by Accela.



Waste Management is working with LFUCG Purchasing on the RFP process.

Timeline of new Dumpster Pro Application:

- July 2015- Vendor meetings occurred gathering requirements and seeing a demo of current dumpster permitting process
- August 2015- Computer Services requested Accela be the City's permit tool of choice. Waste Management worked with Accela account rep. to obtain quote to configure the hosted LFCUG Accela Land Management module for new Dumpster Permits
- Oct 2015- Initial quote obtained – That amount of funding wasn't available
- Nov 2015- Funding for FY 2017 capital project was requested
- April 2016- Mayor's FY 2017 budget sent to Council for approval; additional work with Accela started to ensure all requirements were correctly gathered for Statement of Work creation
- June 2016- FY 2017 budget approved; Work with Accela continued on Statement of Work for project
- July 2016- FY 2017 budgeted funds released; Initial Statement of Work delivered to WM for review v1; Statement of Work required changes sent back to Accela; v2 delivered after adjustments; V2 required additional updates
- August 2016- V3 and V4 Statement of Work both delivered showing requested updates by client
- September 2016- V5 Statement of Work arrived with adjusted pricing to ensure quote/ Statement of Work is below the budgeted \$150,000 received for project
- October 2016- Sent to Law Dept. for review; requested to halt project due to changes in senior management at Accela; worked with Computer Services to develop alternate plan
- November 2016- sent changes requested by Law Dept. back to Accela for review
- December 2016- received approval from Computer Services to work with LFCUG 3rd party Accela integrator for possible work; awaiting quote from vendor



We recognize the progress made so far with the receivable software and encourage implementation of a viable software program as soon as it is feasible. We recommend that WM include payment terms and conditions of payment on all invoices and withhold permits until payments have been received.

Director of Waste Management Response:

UPDATE- The new Dumpster Pro application/tool is scheduled to go live July 1st, 2017. This will allow WM-Enforcements' team to have standard reproducible process for all dumpster permit requests. This includes using Accela to track payments for permits as part of this new process. Payments can be received electronically as well as sent in via mail and will be posted to the permit requested. Each type of permit request has a unique sequenced number and this number can be used to track payments made for a particular dumpster. This will allow proper tracking of payments with each permit. The system will also not allow permits to be issued until payment has been received. Reports can be used to perform daily reconciliation of payments taken online or received via mail.

In addition, 30 day net payment term language has been added to the Division's invoices to resolve this portion of the finding.

Commissioner of Environmental Quality & Public Works Response:

Concur with the Division's response and applaud the effort that has gone into remedying this issue.

Original Finding #4: Segregation of Duties Issue

Priority Rating: High

Condition:

There were incompatible duties being performed by one employee in the Dumpster Permit Fee Division. One employee was responsible for billing vendors, collecting payments, and depositing payments.

Effect:

This creates a segregation of duties issue that could result in asset misappropriation.



Recommendation:

WM should separate the processes for billing, collection, and depositing duties so that one employee is not responsible for all functions.

Director of Waste Management Response:

The Division of Waste Management implemented procedures to ensure segregation of job duties. Procedures have been included as an attachment (see the end of this report).

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor compliance.

Follow-Up Detail Results:

Management now has written collection procedures in place. We performed walkthroughs and noted that adequate separations of duties exist, thereby resolving the original finding.

However, we noted an issue that occurred during the deposit process. In the mornings, the deposit is taken out of the safe and put in a mail slot located inside the administrative office doors. The deposit is picked up sometime during the day by the mail courier and brought downtown to the Revenue counter. The deposit is unsecured during the time it is in the mail slot.

We recommend that WM ensure that the deposit remains locked either in the safe or in a locked drawer/cabinet until it is picked up by the courier.

Director of Waste Management Response:

Daily processed deposits are placed in the safe, then removed the day it is to be sent down and maintained in a locked drawer at the front desk until the courier picks it up. This finding is now resolved.

Commissioner of Environmental Quality & Public Works Response:

Concur with the Division's response.



Original Finding #5: Collection of Fees Should be Centralized and Extra Dump Fees Should Agree to a Fee Schedule

Priority Rating: High

Condition:

Dumpster Permit Enforcement Officers sometimes accept monies for permits and/or extra garbage dumps while onsite at various locations. Refuse truck drivers also collect monies for extra dumps from time to time.

We also noted that fees collected for extra dumps were not consistent with the fee schedule included on the WM website. The website quoted the monthly landfill-solid waste disposal fees for dumpster containers. When we asked WM management what the appropriate fees should be, we were provided the monthly landfill disposal fee schedule contained in Section 16-16.1 of the Code of Ordinances. However, none of the extra dump fees examined in our detail testing matched these fee rates. According to Section 16-11 (a) of the Code of Ordinances, the Commissioner of Environmental Quality and Public Works should determine an extra dump fee sufficient to defray the cost of providing the additional collections, and a rate schedule should be published and maintained periodically that will contain the rate for extra dumpster pickups.

Effect:

Involving multiple employees in the collection of funds increases the possibility of asset misappropriation. Charging fees that are inconsistent with a publicly listed fee schedule could raise questions about appropriate billing practices. Charging fees that are not consistent with the Code of Ordinances is a violation of the Code of Ordinances.

Recommendation:

The collection activity should be centralized in one location to prevent collections from occurring at various sites and having multiple employees involved in the process. Monies should either be mailed to the front counter at WM or payment should be brought to the front counter. The Director of Waste Management should also meet with the Director of Revenue to discuss the possibility of including the extra dump fees with the monthly landfill billing. The Division of Revenue already has an established Accounts Receivable process to bill these businesses for the monthly refuse collection.

The extra dump fee should be evaluated by the Commissioner of Environmental Quality & Public Works and the rates should be published as required by Ordinance. Once the



rates are established, a process should be put in place to ensure extra dump fees are consistent with those rates.

Director of Waste Management Response:

The Division of Waste Management is reviewing the process and exploring ways to accomplish this per the recommendation. The Division has been working to achieve a technology solution for payment processing to reduce cash handling and ensure proper collection. The Division will work with the Commissioner on consistent fees collected based on the delivery of services. The Division of Waste Management will work with the Division of Revenue to determine if extra dump services can be collected more efficiently by including the associated fees in the monthly landfill billing. Completion anticipated by December 31, 2015.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will work with Division to comply.

Follow-Up Detail Results:

We inquired whether the collection of dumpster permit fees were still occurring in the field and were told that all payments for dumpster permits were being submitted to the front counter of WM. However, it appears that payments for extra dumps are still being taken by drivers in the field at the time of trash collection. During our testing, we noted two payments had been received at the front counter of WM for extra dumps but we could not determine that an extra dump request was made through LexCall (which is the normal procedure). In addition, we could not link a payment to an extra dump that was correctly logged by LexCall.

Our recommendation to establish an ordinance based fee for all extra dumps is still in process. According to the Director, the previous audit report was released under the previous Commissioner. Now that the new Commissioner is in place, they have discussed the need to review rates as required by the ordinance; however, that process has not been completed.

As noted in Finding #3, it appears that WM has made significant progress in working on a technology solution for payment processing to reduce cash handling and ensure proper collection. The implementation of the software solution was still outstanding as of February 2017. WM provided a timeline of their progress as noted below:



When the original response for a technological tool was submitted to handle these Waste Management fees (Dumpster Permitting and extra dumps for dumpsters), LFUCG Computer Services was recommending that Enquesta, the new LexServ replacement billing application, would be able to track the transactions. Since then, Enquesta has been determined to only handle regular re-occurring monthly billings for the city. The billing includes all the current items from the LexServ bill. Enquesta's go live date has slipped many times over the past year and even consisted of a project manager change that occurred in the summer of 2016. Since Enquesta isn't able to handle one-time fee types of billing (dumpster permits and extra dumps), a new tool will need to be implemented in order to provide the necessary answer to this finding. While working with Accela, Waste Management was able to determine that Accela has an option for taking online permit charges. This requirement is in the updated STATEMENT OF WORK and will be provided in the tool for Dumpster Permits.

Enquesta Project TimeLine:

- **May 2015- Waste Management IT received final draft of STATEMENT OF WORK for Enquesta billing project**
- **Nov 2015- Waste Management IT team was requested to extract and compare data from both RouteWare/Route Pro and the Mainframe/Banner data**
- **Jan 2016- March 2016- WM IT team works to extract data and format data from all sources in order to compare and prep data for importing into Enquesta tool**
- **May 2016- WM IT team decides that data from routing database would not be the best source but data from current billing systems (Mainframe and Banner) would need to be used for importing data into Enquesta**
- **June-July 2016- Data scrubbing continues from Mainframe/Banner**
- **July 2016- Current Project Manager is replaced**
- **July 2016- New Project Manager is assigned**



- August 2016- Dec 2016- Enquesta testing continues with a late third quarter Go-Live planned for production

We recommend that WM continue to work to centralize all payments through a software solution that will eliminate collection activity now occurring in the field. We also recommend that WM work with the Commissioner in establishing the extra dump fee schedule.

Director of Waste Management Response:

Due to significant changes at the corporate level with the technology provider, Accela, project management changes with Enquesta, and legal review, the project timeline has been delayed and beyond the Division's control.

Even though the fees are still collected in the field at this time, the customer is now required to call into LexCall and request an extra dump. The request is sent to the supervisor to collect the fees and turn into the front desk for receipt to revenue. This is a short term fix to account for all extra dump fees collected until the procedure for accepting credit card payments is fully implemented in July 2017. The Division has established an agreement with Kentucky Interactive to implement electronic payment processing to allow credit card transactions. The contract was approved thru Council Resolution 278-2017 on May 11, 2017 and work is in progress to achieve implementation.

In addition, the new Dumpster Pro application/tool in Accela is scheduled to go live July 1st, 2017. This will allow WM-Enforcements' team to have standard reproducible process for all dumpster permit requests. This includes using Accela to track payments for permits as part of this new process. Payments can be received electronically as well as sent in via mail and will be posted to the permit requested. Each type of permit request has a unique sequenced number and this number can be used to track payments made for a particular. This will allow proper tracking of payments to each permit. Reports can be used to do daily reconciliation of payments taken online or received via mail. This should resolve this portion of the finding based on the technology solution.

With regard to the extra dump fee schedule, the Division is working with the Commissioner to establish a new fee schedule. The Division has been reviewing comparable cities to learn more about their fee structure. This finding will be resolved in FY18.



Commissioner of Environmental Quality & Public Works Response:

The Division is currently researching comparable municipal solid waste and private sector dumpster fee structures. This information as well as information regarding our true cost of service related to extra dumpster dumps will be used to establish a fee sufficient to defray the cost of providing this service. In compliance with the LFUCG Code of Ordinances, Section 16-11(a), the updated rate schedule will be published periodically (likely on the LFUCG Waste Management webpage)

Original Finding #6: Sequential Dumpster Permit Numbers Needed

Priority Rating: High

Condition:

The dumpster permit numbers are generated from the Dumpster Pro program. Permit numbers are not only generated when revenue is expected (i.e., when a new permit number is being issued or during the change of dumpster ownership), but are also assigned to each transaction performed in the Dumpster Pro program. When we attempted to determine the number of permits issued, we had to rely on the comments field for action taken to determine if revenue should be collected. This contributed to inaccurate revenue projections for dumpster permit fees as provided by the Director of Waste Management at the beginning of the audit.

Effect:

When all transactions are tied to a permit number, revenue projections may be affected.

Recommendation:

The Dumpster Pro program should be evaluated to determine if it provides the needed documentation to generate dumpster permits and also provide for adequate reconciliations of fees to payments. If the Dumpster Pro program does not provide this functionality, WM should pursue an economical program either internally or externally that will meet this need.

Director of Waste Management Response:

The Division of Waste Management is reviewing the permitting process and replacing the Dumpster Pro program with a program similar to Checkfront (the Loan-A-Box program). This will be accomplished with either the new Accela or Vebridge permitting application



referenced in response to Finding 3. Accela/Vebridge will provide any reports needed including the number of new requests, number of changes in ownership, number of removals and many other reports based on time, user, or customer requested. ETA on new application within months depending on the vendor selection process.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor compliance.

Follow-Up Detail Results:

Please see Finding #3 for current technology solution status regarding this finding.

We noted that all dumpster requests are currently being tracked in the WM Enforcement SharePoint site and on the old Dumpster Pro application. These actions will continue until the new Dumpster Permitting Tool has been implemented. We recognize the progress made so far with the receivable software and encourage implementation of a viable software program as soon as it is feasible.

Director of Waste Management Response:

UPDATE- The new Dumpster Pro application/tool is scheduled to go live July 1st, 2017. This will allow WM-Enforcements' team to have standard reproducible process for all dumpster permit requests. Each type of permit request has a unique sequenced number and this number can be used to track payments made for a particular.

The screenshot shows a web browser window with the URL <https://avsupp3.accela.com/portlets/spa/dashboard.do#/dashboard/task/cards>. The page header is "LEXY | Civic Platform". The main content area is divided into sections: "Your Pages" with a "+ New" button, "Recent" with a "Clear All" button, and a list of permit numbers. On the right side, there are navigation links for "Address", "Parcels", and "Owners".

Your Pages	+ New	Recent	Clear All	Address
		WST-DP-17-00022		
		WST-DP-17-00004-SC		Parcels
		WST-DP-17-00016		
		WST-DP-17-00014		Owners
		WST-DP-17-00015		
		WST-DP-17-00009		

Reports can be run to determine numbers and types of permit request. The screenshot is from the test environment showing the unique sequenced permits.



Commissioner of Environmental Quality & Public Works Response:
Concur with Division's response.

Original Finding #7: Reconciliations of Collections to Fees Charged Are Not Performed

Priority Rating: High

Condition:

Reconciliations are not being performed in the collection of extra dumps to ensure the receipt of all revenues. Extra dump requests are entered into LexCall by the WM dispatch, providing documentation of such requests that can then be matched against related payments. We noted that some payments have been received for extra dump requests that were not entered into LexCall, indicating instances of undocumented revenue. We also noted that reconciliations between payments received for Loan-A-Boxes and the daily reservations are not being performed, which could also result in undocumented revenue and in the non-delivery of paid services.

Effect:

The total amount of revenue recorded for services rendered may not reflect actual amounts collected if payments are not reconciled to fees charged. Failure to reconcile payments to recorded fees could also result in misappropriated cash being undetected.

Recommendation:

Reconciliations should be performed monthly between all fees assessed and collections posted to deposits and entered into PeopleSoft to ensure that all revenues are recorded, collected, and deposited.

Director of Waste Management Response:

Concur and currently reviewing this process to create a program that will accomplish recommendations.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will work with Division to comply.

Follow-Up Detail Results:

Reconciliations are now being performed between Loan-A-Box payments received and the daily reservations, thereby partially resolving this finding. However, a



complete reconciliation of extra dump fees is not occurring because the total population of extra dump fees cannot be definitively established.

Director of Waste Management Response:

In the interim we have a new log at the front desk that will record the information. There will be a weekly reconciliation of the LexCall, WMD front desk and WMD Dispatch extra dump requests and transactions. We are going live with credit card payments and will be rolling out the policy and procedure for accepting payment from customers for prepaid and same day extra dump fees. The software program that we will be using will allow us to track the extra dump fees and permit fees collected and report it on the WMD Revenue Report daily as we now do with the Loan A Box program and other fees received through the front desk.

Commissioner of Environmental Quality & Public Works Response:

Concur with Division's response.

Original Finding #8: Revenue Applied to Incorrect Fund

Priority Rating: High

Condition:

We noted that extra dump revenue was incorrectly applied to the Urban Services Fund and to the Purchasing Administrative account for the sale of surplus equipment from FY 2011 through FY 2014. The total revenue amount was \$2,480 and should have been appropriately applied to the Landfill fund for refuse collection in the Landfill User Fee account to provide for correct match of revenue against expenses. Additionally, we noted \$5,259 of Loan-A-Box revenue was also incorrectly charged to the Urban Services Fund during FY 2012. These fees also should have been applied to the Landfill Fund for refuse collection. The amount appears to be immaterial to both funds.

Effect:

Revenue was overstated in Fund 1115 (Urban Services Fund) and understated in Fund 4121 (Landfill Fund).

Recommendation:

The Director of Accounting should post adjusting entries to correct the errors. We also recommend that employees entering deposits into PeopleSoft use speedtype keys set up by the Division of Revenue to assist users with the correct account string.



Director of Accounting Response:

The revenue error described above relates to internal Governmental funds. The transfer of fund balance between funds can take place anytime, with the assistance of Budgeting and the Division of Waste Management. I support this recommendation.

Commissioner of Finance & Administration Response:

I concur with the Director of Accounting's response.

Director of Waste Management Response:

This matter is being addressed by having only certain employees assigned to make revenue deposits and having a clearly defined list of all revenue deposit accounts to use for the various deposit accounts.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendations and will monitor compliance.

Follow-Up Detail Results:

We obtained deposit activity by user and also by account stream from PeopleSoft and did not note any Loan-A-Box or Extra Dump revenue being applied to the wrong fund.

This finding has been resolved.

Original Finding #9: Inventory Procedures for Loan-A-Box Needed

Priority Rating: High

Condition:

We performed an inventory count of Loan-A-Boxes by counting all the boxes currently in stock and adding in returning boxes and any boxes en-route. We could not determine the location for seven Loan-A-Boxes. We communicated this variance to management, but as of the end of fieldwork had not been provided any additional information on the location of the seven Loan-A-Boxes. We also noted that there are apparently no procedures in place to periodically inventory the Loan-A-Boxes or to account for the total Loan-A-Box inventory.



Effect:

There is insufficient reporting, safeguarding, and confirmation of actual Loan-A-Boxes available for use.

Recommendation:

Procedures for reporting, safeguarding, and confirming the inventory of Loan-A-Boxes should be established. On a periodic basis, an inventory of Loan-A-Boxes should be performed to determine accuracy of delivery, completeness of payment for services rendered, and to ensure all Loan-A-Boxes can be accounted for.

Director of Waste Management Response:

The Division of Waste Management conducted a physical inventory of all Loan-A-Boxes. There are thirty-four containers. The Division of Waste Management installed RFID tracking devices on all containers. This allows the Division to electronically track the boxes from site to site and verify delivery based on addresses entered into the new Loan-A-Box reservation system (Checkfront.com). The Division has now accomplished asset/inventory control and management over the containers.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and Division's response.

Follow-Up Detail Results:

WM demonstrated the inventory tracking process that is now in place. Using the Device Detail Tracking Report, we were able to locate the Loan-A-Boxes based on their reservation for the day reviewed. It appears that the current GPS tracking process is effective in maintaining accurate locations of inventory. WM also demonstrated their use of the RACO Interactive tracking system used as detailed below:

Waste Management uses GPS asset tags to track our Loan-A-Box containers via a web-based tool provided by RACO Interactive. This tool allows Waste Management to track all Loan-A-Boxes and ensure delivery by Waste Management Drivers. This tool also provides Waste Management with current inventory tracking of our Loan-A-Box containers. Waste Management recently has started using RouteWare's Work Orders to dispatch Loan-A-Box pickups and deliveries. This process is still under development with a full go live set for early January 2017. Work Orders are sent to the WM trucks



with addresses that need boxes picked up and/or delivered. The drivers can then confirm once a delivery is made via the RouteWare computer located in the trucks. Confirmation will show on the RouteWare Command and Control module as picked up or delivered. GPS coordinates from RouteWare can verify that the truck was at an address that had requested a box. The GPS asset tag can also confirm delivery by showing the tag at the address requesting the box.



This finding has been resolved.



Original Finding #10: Continuity between Payment and Services Rendered Needed

Priority Rating: High

Condition:

We had difficulty in linking Loan-A-Box transactions to payments in PeopleSoft. Prior to March 2015, the Loan-A-Box program was used to log reservations for Loan-A-Box requests. Payments were generally taken at the front counter and logged on a Daily Front Desk Checkout Total sheet indicating check or cash received. The deposits were made in PeopleSoft using a Quick Receipt and no cross reference information was provided to trace the deposit to the original payment. In approximately January 2015, payor information and check numbers were added to the Quick Receipts for easier tracking of collections received, and in March 2015 a Checkfront reservation program was also added to the process.

However, we noted that tying a payment posted in PeopleSoft to a reservation in Checkfront was still problematic. Two of the Loan-A-Box transactions we tested for the period January 2015 to April 2015 still could not be reconciled to a payment in PeopleSoft.

Effect:

The inability to consistently match fees to related payments increases the likelihood of payment misappropriation.

Recommendation

A unique identifier should be electronically assigned to each transaction in Checkfront and this number should cross-reference to the Quick Receipt in PeopleSoft for a complete match of fees charged and payment received and deposited.

Director of Waste Management Response:

The Division of Waste Management is working with the Division of Computer services to setup an on-line payment processing application using a vendor called Enquesta and Kentucky Interactive. Both vendors will accept online payments for LexServ or any other city service (Loan-A-Box and dumpster permitting, etc.). The kickoff meeting was held September 23, 2015. The Division of Waste Management was included in the project for both Loan-A-Box and dumpster permitting. By using this system, the Division of Waste Management's IT staff and Computer Services will be able to link Checkfront and Enquesta or Kentucky Interactive for proper audit tracking. Transactions in Enquesta



will be able to link back to Checkfront and the new dumpster permitting application in order to show proper accounting procedures.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor compliance.

Follow-Up Detail Results:

We determined that when a customer comes in to pay for their Loan-A-Box, their information is entered into the Checkfront system. The reservation generates a Booking ID number and this ID is input on the Front Desk – Accounts Received log (payment log). When the deposit is prepared, the Quick Receipt number (coming from PeopleSoft) is input on the bottom of the payment log as a cross reference. We performed substantive testing to trace payments to reservations and did not note any problems. WM also provided us with details regarding software they are planning to implement to improve this function, as noted below.

When the original response for a technological tool was submitted to handle these fees, Computer Services expected that Enquesta (LexServ replacement application) would be able to track these Waste Management transactions. Unfortunately the scope of Enquesta has changed, it has been determined that Enquesta will only handle regular monthly billings for the city and will not be used for one-time payments. Enquesta's go live date has slipped many times over the past few months and even consisted of a project manager change that occurred in the summer of 2016.

Additionally, Waste Management has worked with Checkfront.com (Loan-A-Box rental application) and Kentucky Interactive (city payment processor) to have a payment gateway established in order for Waste Management to accept credit/debit cards and e-checks. Funds collected by Kentucky Interactive can be directly deposited into the correct accounts via the Kentucky Interactive sync with the LFUCG. The gateway had to be developed between Checkfront and Kentucky interactive. This process took several months (~9 months) to finally establish the connection in order to start testing payments. This was an unforeseen delay in getting Waste Management up and running with credit/debit cards. In addition, LFUCG Computer Services have stopped all card swipe machine installations. Waste



Management will be able to use card swipe devices using a cellular enabled tablet with card swipe hardware installed.

Current Status:

- **Payment gateway between Kentucky Interactive and Checkfront has been established**
- **Testing, in a sandbox mode, is occurring and should be finished by Jan 2017**
- **A refund, cancellation, and card swipe process/policy will need to be created and approved and added to the Loan-A-Box program book-ETA Jan 30 2017.**
- **Card swipe machines will need to be placed at Waste Management sites that take cash or checks currently (Waste Management Base and Hailey Pike Landfill)**
- **Cellular Tablets with card swipe attachments (3) will be ordered to process in person card swipes (this is in compliance with LFUCG network security regarding PCI compliance)- Tablets to be ordered and implemented by Jan 30, 2017**
- **Go Live with Loan-A-Box- Feb 1st 2017**



← → ↻ <https://wmlfucgtest.checkfront.com/reserve/booking/ZHPS-161216?CFX=8371015dcf7ba52ba0c661b018a24c9a0258e37fd3757f8a1789d423d777beb2&event=receipt>

livegreenlexington **Lex-Fayette Urban Co Government**

✉ A copy of this receipt has been e-mailed to edean@lexingtonky.gov .



Lexington-Fayette Urban County Government Invoice 

Division of Waste Management
c/o Loan-A-Box
675 Byrd Thurman Drive
Lexington, KY 40510

PAID

Eddie Dean
✉ edean@lexingtonky.gov
1 (859) 425-3838
3309 Drayton Place
Lexington, KY, 40503
United States

Booking ID:	ZHPS-161216
Created:	December 16, 2016
Booking Date:	December 22, 2016
Total (USD):	\$75.00

Item	Rate	Amount
Loan-A-Box In Service Area Holiday 4 Thu Dec 22 2016 - Mon Dec 26 2016	Qty: 1 @ \$75.00	\$75.00
Total:		\$75.00
Amount Paid:		\$75.00

[PDF \(Print\)](#)

Payments: 12/16/16 \$75.00 (CreditCard)



Dear Resident/Property Owner:

Thank you for your interest in our Loan-A-Box program, as we are pleased to be able to offer this service to you. The rental fee is required to be paid (72) hours in advance of requested delivery date which covers the delivery, removal and landfill disposal costs. (No credit cards accepted at this time. Check, Cash (Exact Amount) or Money Orders only.)

[Print receipt](#)
[Return to lexingtonky.gov](#)
[Create another booking](#)
 [Online Bookings by Checkfront](#)

If the software functions as represented to us, this will provide a significant enhancement.

This finding has been resolved.

Original Finding #11: Improved Safeguard over Cash Area Needed
Priority Rating: High

Condition:

We noted that the doors to the front counter which houses the collection activity were not locked during fieldwork, and the office is used as a pass through area by multiple employees. We were told by management that this area will be made a restrictive area to provide more security over funds received. We noted that this change had not occurred by the end of fieldwork, and we were informed that this was because fire safety codes



would require a different type of door lock. In light of other security implemented in the building, these doors appear to be one of the most relevant security features needed to safeguard collections.

Effect:

Funds may be lost or misappropriated if not adequately safeguarded.

Recommendation

The proper door locks should be installed as soon as reasonably possible. The front office should be restricted to personnel handling cash, and all collections should be maintained in a locked desk drawer until the end of the day. Collections should then be moved to the safe to await deposit.

Director of Waste Management Response:

The Division of Waste Management's front office locks have been changed and the access limited to authorized personnel. Employees are not permitted to gather or pass through the office as occurred in the past. Only limited personnel have the combination and key to the safe and the room in which the safe is located. Employees have been trained on cash handling and duties have been segregated to ensure compliance.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and Division's response.

Follow-Up Detail Results:

We performed a walkthrough of the front counter area and noted that the doors were locked. While inside the office, we noted that the doors will unlock from the inside when the door handle is turned. This allows employees inside to safely exit the office if needed but keeps the office secure. We also noted that cash was locked inside a drawer and at the end of the day cash was removed to the safe.

This finding has been resolved.



Original Finding #12: Control Issues with Checkfront Program**Priority Rating: High****Condition:**

The Checkfront computer program implemented for Loan-A-Box reservations has a control weakness. The Checkfront program allows a user to change an existing reservation after payment has been received and services rendered. The existing transaction can be edited to provide a delivery for a customer on another day without any additional funds being received. The Checkfront program will show the new reservation date as paid and delivery can occur.

We also noted that the Checkfront program only allows you to search by name and not by address. According to WM personnel, searching only by a customer's name has been effective since some customers have multiple properties that are serviced by the Loan-A-Box. However, the Checkfront program could be improved by adding the option of searching the database by address, since this would provide greater ease of use by employees and may also enhance future reporting capabilities.

Effect:

Services could be provided and payments could be diverted without detection because of this control weakness.

Recommendation:

Waste Management IT should determine if Checkfront will be a permanent solution for maintaining the Loan-A-Box reservation function. If so, a software fix for the control issues mentioned above should be obtained from Checkfront, Inc. to remove the control weakness and improve functionality.

Director of Waste Management Response:

The Division of Waste Management is still reviewing opportunities to improve the software with Checkfront. The company is aware of this issue and we are awaiting a response as to their next steps to possibly correct this control issue.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor compliance.



Follow-Up Detail Results:

We determined that a search by address feature is now allowed in Checkfront. We also noted that Checkfront still allows you to take a previously paid reservation and change the date to a future date and the reservation still shows as paid, which continues to be a control issue. However, Checkfront will generate a report detailing all changes made to records as shown below:

Activity Log November 13 - December 13 2016

Date: Last 30 days ▾ Log ▾ Staff ▾ Priority ▾ Search Q

Date	Source	Class	Event	ID	Message
12/13/16 12:30 PM	Eddie 199.165.138.12	ACCOUNT Eddie199.165.138.12	LOGIN	e0ean	Lexington, KY, US
12/13/16 12:12 PM	D Burchfield 199.165.138.12	PAYMENT	Check	DLHS-221116	Credit \$75.00 (58502bf43c0e2)
12/13/16 12:12 PM	D Burchfield 199.165.138.12	EMAIL	SENT	DLHS-221116	d.burchfield@lexingtonky.gov, julia.steele3@gmail.com, d.krugler@lexingtonky.gov Booking Receipt For Fri Dec 16 2016 - Mon Dec 19 2016 (DLHS-221116)
12/13/16 12:12 PM	D Burchfield 199.165.138.12	BOOKING	UPDATE	DLHS-221116	Paid
12/13/16 12:12 PM	D Burchfield 199.165.138.12	BOOKING	NOTE ADDED	DLHS-221116	(Payment: \$75.00) Check#1205
12/13/16 12:06 PM	D Burchfield 199.165.138.12	PAYMENT	Check	RYSA-131216	Credit \$75.00 (58502a9c89e76)
12/13/16 12:06 PM	D Burchfield 199.165.138.12	EMAIL	SENT	RYSA-131216	d.burchfield@lexingtonky.gov, simone.e.kerr@gmail.com, d.krugler@lexingtonky.gov Booking Receipt For Thu Dec 22 2016 - Mon Dec 26 2016 (RYSA-131216)

WM indicated that an Administrative Specialist periodically reviews these edit reports in Checkfront; however, they do not document their review. Until a software solution can be found for this control issue, we recommend that WM generate reports and document their periodic review of edit checks.

Director of Waste Management Response:

This has changed, effective 2/21/2017 all edits are audited and documented in an excel workbook file. CheckFront tracks all changes via an audit log. Every change made to any Checkfront reservation is tracked. This finding should be resolved.



Secure https://wmlfucg.checkfront.com/reports/log/

Calendar Booking Customers Reports Inventory Manage Eddie Lex-Fayette Urban Co ...

Activity Log April 23 - May 23 2017

Date: Last 30 days Log Staff Priority Search Help Column

Date ↓	Source	Class	Event	ID	Message
05/23/17 11:15 PM	Eddie 98.101.222.94	ACCOUNT	LOGIN	edean	Myrtle Beach, SC, US
05/23/17 04:28 PM	Markita 199.195.138.12	EXPORT	XLS	booking-index	Bookings - May 24 2017
05/23/17 04:18 PM	Markita 199.195.138.12	EXPORT	XLS	reports-transaction	Transactions - May 23 2017
05/23/17 03:58 PM	Markita 199.195.138.12	PAYMENT	Check	SHHT-230517	Credit \$75.00 (592494611201a)
05/23/17 03:58 PM	Markita 199.195.138.12	EMAIL	SENT	SHHT-230517	mchristopher@lexingtonky.gov, jeff.lutz@twc.com, ckrugler@lexingtonky.gov Booking Receipt For Fri Jun 16 2017 - Mon Jun 19 2017 (SHHT-230517)
05/23/17 03:58 PM	Markita 199.195.138.12	BOOKING	UPDATE	SHHT-230517	Paid
05/23/17 03:56 PM	Markita 199.195.138.12	BOOKING	NOTE ADDED	SHHT-230517	(Payment: \$75.00) check #1736

Commissioner of Environmental Quality & Public Works Response:
Concur with Division's response.

Original Finding #13: New Contract Needed With Appliance Disposal Company
Priority Rating: High

Condition:

ERI (the company that accepts junked appliances collected by WM) has a longstanding contract with LFUCG, possibly as far back as fifteen years that has not been recently updated. The previously negotiated rate for the scrap metal included performing the Freon recovery and recycling from the appliances, which greatly reduces the amount paid for the scrap metal. According to ERI management, the rate paid to LFUCG for junked appliances is based on the current American Metal Market price for No. 2 bundles for the Midwest Region.

Effect:

Updated contracts provide current performance specifications, agreed upon market rates, reduce potential misunderstandings between parties, and limit legal liabilities.



Recommendation:

Since the ERI contract with LFUCG may be as much as fifteen years old, a complete re-bid of the appliance disposal service should be considered. At a minimum, a new contract with ERI should be negotiated. The contract language should be evaluated by the Department of Law to ensure it meets the legal needs of the LFUCG.

Director of Waste Management Response:

The Division of Waste Management will develop a new bid for these services to be completed by December 31, 2015.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor compliance.

Follow-Up Detail Results:

After fieldwork was completed, WM issued the following statement regarding this finding: “We are in the process of obtaining quotes from scrap metal vendors and will be executing an agreement within the near future”.

We recommend that WM follow through with the original recommendations and their response.

Director of Waste Management Response:

Revenue from appliance disposal has averaged \$2,000 on an annual basis. Collection of items is very minimal due to public scavenging of items placed at the curb. Advertising and bidding this service has proved cost prohibitive.

Commissioner of Environmental Quality & Public Works Response:

Concur with Division’s response.

Auditor’s Note: We discussed this issue with the Director of Purchasing, and based upon the average annual revenue represented in the management response and the fact he is only aware of one company in the Lexington area that will take old appliances, the Director of Purchasing does not consider it necessary to bid out this service. However, he agrees with the Office of Internal Audit that a new contract with ERI should be obtained and reviewed by the Department of Law.



Original Finding #14: Inequity in Loan-A-Box Fee Structure
Priority Rating: High

Condition:

Loan-A-Box fees are governed by Ordinance Section 16-6.2 of the Code of Ordinances with a fee of \$75 for residents in the Urban Service Area and \$180 for residents outside the Area. The fee does not indicate the duration of time for the Loan-A-Box; however, the WM process is to loan the box to Urban Service residents overnight or over the weekend for the \$75 fee. Residents outside the Area have the box for three days from receipt for only \$180. As a result, residents within the Urban Services Area could be charged up to \$225 for the three day use of a Loan-A-Box, whereas the cost for three days to a resident outside the Urban Services Area is \$180.

Effect:

This practice can result in non-Urban Service residents receiving a better deal on Loan-A-Boxes than Urban Service residents, who already pay other fees toward trash removal.

Recommendation:

We recommend the Loan-A-Box fees stipulated in the Ordinance be applied in a consistent manner between residents in the Urban Service Area and residents outside the Area.

Director of Waste Management Response:

The Division of Waste Management will review the Loan-A-Box fee services and associated cost of services. An equitable solution will be recommended no later than December 31, 2015.

Commissioner of Environmental Quality & Public Works Response:

Concur with recommendation and will monitor Division's resolution.

Follow-Up Detail Results:

WM stated that an internal review of the Loan-A-Box program was performed as requested by WM Director Tracey Thurman. The internal review examined the history of the program from the start until current implementation of the program. The results of WM's internal review as provided to us is as follows:



The review listed the Ordinance Sec. 16-6.2 (b)-- “The division of Waste Management will provide a ten-cubic yard size “roll-off” refuse collection container.” The fees were listed in the Ordinance as \$75.00 for citizens with LFUCG refuse service for a one night rental and \$180.00 for three night rental if the citizens do not have LFUCG refuse collection service. Therefore, the “inequity” that the Audit refers too in this finding is the \$225.00 for a 3 day “in-service area” rental compared to a 3-day \$180.00 “out of service area” rental. The Ordinance does not indicate the duration of time for a Loan-A-Box rental. The fees associated with the Loan-A-Box program will need to be reviewed by Law and Council process. Finding from the review could require changes to the Code of Ordinances.

We recommend that WM confer with their Commissioner and the Law Department to determine if a fee change is warranted, and if so, present the issue before Council for a final decision whether to adjust the fee.

Director of Waste Management Response:

The Loan A Box program was tied to disposal cost at the time of its implementation. The revenue generated from this program is credited to the Landfill fund. There are no administrative costs captured for the administration of the program in Fund 1115. In addition, the program does not consider the cost of the personnel in the reservation process, driver, vehicle, and fuel in the delivery of this service.

The Department of Law was involved in the internal review of the program. The issue has been discussed during the monthly budget meetings with Finance and Budget offices. Discussions are ongoing at this time.

Commissioner of Environmental Quality & Public Works Response:

I will continue to monitor this issue.

