

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2015-05
PUBLIC WORKS – TRANSFER STATIONS**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
<p><u>Revenue Controls – Commercial Vehicles</u> Internal controls exist to ensure successful collection of tipping fee revenue. Some weaknesses in the process were identified during the audit.</p> <p>When commercial vehicles enter the transfer station, a deposit is to be collected as a safeguard against nonpayment. 19 of 25 (76%) transactions sampled did not have a deposit collected. Management believes that this is a system-related issue rather than a staff compliance one; however Audit Services was unable to verify this claim.</p> <p>It is important that a consistent process be followed to ensure successful collection of revenue.</p>	<p>1. That management investigate the root cause of the issue. Once the issue is resolved, periodic checks should be performed to ensure staff are consistently collecting deposits.</p>	<p>Agreed. Staff will commence an investigation to determine the root cause of the issue. Once the issue is determined and resolved, staff will implement quality control checks at a frequency determined to be appropriate to ensure compliance with the recommendation. Expected implementation date: end of Q4 2015.</p>

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<p><u>Non-Payment of Fees – Documentation</u> When a patron does not pay the tipping fee on the date of visit (either due to a lack of funds or refusal to pay), a late fee is applied and the patron is barred from future visits until the arrears are paid.</p> <p>However, some operators manually change the fee to zero in order to balance the daily cash reconciliation. This practice causes the vehicle to not have to pay the arrears at a future visit. It also obscures financial information for management decision making purposes.</p>	<p>2. That outstanding tipping fees remain outstanding in the system. Daily closing differences should be managed either through a reconciliation or captured automatically by the system.</p>	<p>Agreed. Management will ensure that staff are re-trained and that outstanding tip fees remain outstanding in the system. Staff will implement quality control checks at a frequency determined to be appropriate to ensure compliance with the recommendation. Expected implementation date: end of Q4 2015.</p>

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<p><u>Cash Handling Processes</u> A City-wide Cash Handling Policy was approved by the Audit, Finance and Administration Committee in June 2014. Audit Services reviewed cash handling processes at the transfer stations and found that while sufficient controls were operating effectively in many areas, some areas of noncompliance were identified:</p> <ul style="list-style-type: none"> • Capturing rate adjustments; and • Delivery of deposits to the bank. <p>It is important that this Council-approved policy be implemented consistently across the organization.</p>	<p>3. That management review its operations and terms with cash handling employees under contract and request that the contractor's processes be consistent with the City-wide Cash Handling Policy, or consider this when drafting future contract terms.</p>	<p>Agreed. Staff will implement a review of the operations and procedures relating to cash handling procedures. Staff will ensure consistency with the City-wide Cash Handling Policy where deemed operationally feasible. Expected completion/implementation date: end of Q1 2016.</p>

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<p><u>System Overrides</u> When patrons unload waste at a transfer station, user fees are calculated automatically by the onsite scale system. However, staff have the ability to override scale readings in cases of error or exceptional circumstance.</p> <p>Scale House Operators are required to provide explanations for any adjustments that occur. Audit Services found that some of these explanations were recorded electronically; some were handwritten on the receipts while many had no explanations at all.</p> <p>Non-routine transactions are reviewed by the Operations Supervisor daily. However, inclement weather or other events may occur, which makes daily assessment difficult.</p>	<p>4. That staff be required to provide explanations for any overrides to the automated scale reading and that the electronic format (i.e. Paradigm application) be utilized.</p> <p>5. That management periodically review system data for trends or systematic issues. A threshold should be set for the rate or amount of overrides made beyond which follow up should be made.</p>	<p>Agreed. Management will implement a procedure that will ensure staff provide explanations for any overrides to the automated scale reading. Management will investigate the possibility of having this procedure implemented through the Paradigm application. Staff will implement quality control checks at a frequency determined to be appropriate to ensure compliance with the recommendation. Expected implementation date: end of Q1 2016.</p> <p>Agreed. Management will implement quality control checks at a frequency determined to be appropriate to ensure compliance with the recommendation. Management will also determine and implement an acceptable threshold for the amount of overrides that will be used during the quality control checks. Expected implementation date: end of Q4 2015.</p>

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<p><u>Procedures</u> Procedures for the operation of the transfer stations have been developed by the Recycling and Waste Disposal Section. The documents are comprehensive and cover all major areas of operations. However, they do not appear to be kept up to date and several were last reviewed in 2009.</p> <p>Out of date procedures may not reflect current operations and may cause inconsistencies in service delivery or confusion among staff.</p>	<p>6. That transfer station procedures be reviewed by management regularly or whenever significant changes in processes occur, updated as required and bear evidence of such review.</p>	<p>Agreed. Management has already implemented the review of all procedures in the Recycling and Waste Disposal Section. It is common practice to update the procedure and provide a comprehensive review when significant changes to the operations occur. Transfer Station procedures will be reviewed by management on an annual basis and evidence of this review will be made available. Expected implementation date: end of Q4 2015.</p>