



AUDIT REPORT

DALLAS COUNTY

FY2022 DEPT OF CONSOLIDATED SERVICES - HOUSEHOLD HAZARDOUS WASTE

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County Auditor

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FY2022 Dept of Consolidated Services - Household Hazardous Waste

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department.



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Earle Blakney
HHW Program Manager
Dallas, Texas

Attached is the County Auditor's final report entitled "**FY2022 Dept of Consolidated Services - Household Hazardous Waste**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Timothy J. Hicks

Timothy J. Hicks, CPA
County Auditor

EXECUTIVE SUMMARY

A review was performed in accordance with statutory guidelines on the records and reports of the Household Hazardous Waste (HHW) department for fiscal year 2022.

Summary of Significant Observations:

- **Walkthrough and Disposal Report:** It was observed that contractors did not take a Home Chemical Collection Center Participant survey form or obtain customer information from three customers when collecting waste. There were discrepancies in six disposal reports in which the total amount allocated to participating cities did not match the contractor invoices.
- **Inter-Local Agreement Billings:** A total of \$14,405 from the FY2022 Annual Operational and Capital Budget was not billed to participating cities. Eighteen monthly waste disposal billings totaling \$275,842 were receipted to incorrect project 94017 instead of 94031. Three invoices totaling \$29,010 remain outstanding.

Repeat Observations from Previous Audits:

- Manual receipts not posted within five business days.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations.
- Safeguard and monitor the assets of the County utilizing sound fiscal policies.
- Assess risk and establish and administer adequate internal controls.
- Accurately record and report financial transactions of the County.
- Ensure accurate and timely processing of amounts due to County employees and vendors.
- Set an example of honesty, fairness and professionalism for Dallas County government.
- Provide services with integrity.
- Work in partnership with all departments to resolve all issues of the County.
- Strive to utilize the latest efficient and effective technology in the performance of tasks.
- Provide technical support and training in the development, implementation, and maintenance of information systems.
- Hold ourselves accountable to the citizens of the County at all times.
- Be responsive to the elected officials and department heads of Dallas County.

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period from October 1, 2021, through September 30, 2022.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.



DETAILS

Cash Management

Criteria

Standard internal control procedures related to cash handling require:

- Checks to be restrictively endorsed with "For Deposit Only" in a specific account when received to prevent the funds from being cashed or deposited into a different account.
- Funds to be retained in a secure cash drawer once receipted until the end of day reconciliation. Separate cash drawers are maintained for all clerks receipting payments. Clerks balance receipted funds prior to combining their cash drawers with other receipted funds.
- Verify funds for accuracy and completeness by comparing the department's receipt records to County-Wide Receipting (CWR) system reports.

Review

Department responses to the Internal Control Questionnaire (ICQ) dated July 26, 2023, were reviewed. The following were identified:

- Checks received for deposit are not restrictively endorsed before being submitted to the Treasurer's Office.

Status: As of November 2023, the department is restrictively endorsing checks for deposit.

- Each cashier does not have their own cash drawers or station.
- The department used manual receipts when funds were received and then submitted manual receipts and funds to the Treasurer's Office to receipt to CWR. The department did not verify the accuracy and completeness of payments receipted to the computer system by comparing CWR reports to the manual receipts.

Status: Household Hazardous Waste employees were given access to CWR to receipt payments directly to the computer system.

Cause/Effect

This occurred because the department did not have cash management procedures and training related to endorsing checks, maintaining cash drawers, and monitoring receipts transferred for deposit.



Without adequate cash management procedures, it is possible that money may be lost, misappropriated, untimely deposited, or posted to the wrong account.

Recommendation**Cash Management**

Management should implement following corrective actions:

- Endorse the back of checks when receipting transactions to CWR and prior to transferring checks to the Treasurer's Office.
- Maintain a separate cash drawer for each cashier receipting payments.
- Develop comprehensive cash management procedures that outline and describe staff responsibilities and duties.
 - Balance money receipted prior to combining cash drawers with other receipted money for deposit
 - Monitor the CWR Deposit Management report to verify the deposits have been timely processed

Management Action Plan

- As of November 2023, the department is restrictively endorsing checks for deposit.
- We receive an average of less than one non-participant payment per week. We do not feel like it justifies having multiple cashier stations.
- Household Hazardous Waste employees were given access to CWR to receipt payments directly to the computer system.

Auditor's Response

- None

Walkthrough and Disposal Report**Criteria**

Per Dallas County (Court Order 2020-0753 and RFP 2020-009-6849), contract with Clean Earth, Inc) will provide a comprehensive Household Hazardous Waste (HHW)

Collection Program that serves the residents of 16 cities and unincorporated areas in Dallas County. The cost for this program is shared between the participating cities according to their population by percentage, with Dallas County providing administrative support to facilitate the contract. Disposal fees are paid monthly, and overhead is paid quarterly by the participating cities approved through interlocal agreements.



Standard internal control procedure indicates Home Chemical Collection Center Participant survey form should be completed and obtained from customer before rendering services. The amount charged is based on the contract and reflected accurately on the invoice.

Review

On August 23, 2023, a walkthrough was conducted at the Household Hazardous Waste facility. Additionally, 12 monthly disposal reports were reviewed. The following are identified:

- It was observed that contractors did not take a Home Chemical Collection Center Participant survey form or obtain customer information from three customers when collecting waste.
- There were discrepancies in six disposal reports in which the total amount allocated to participating cities did not match the contractor invoices.
- The invoice amounts of contractors are not itemized consistently but grouped together on disposal reports.
- The invoice number and date fields on the disposal report spreadsheet were not properly completed by staff.

Cause/Effect

Management has not written formal procedures for routine duties related to the waste and disposal program.

This can result in the misallocation of costs, billing errors, and loss to the County for actual costs paid by the County but not billed.

Recommendation**Walkthrough Observations**

- Management should make the following corrective actions:
 - Require submission of forms from customers prior to unloading waste.
 - Itemize individual contractor invoices on disposal reports.
 - Run invoice listings from Oracle to ensure all invoices are included in billings.
 - Retain and store each monthly disposal report spreadsheet in a file folder on the department's network drive.
- Amend the scope of services with the contractor to state the contractor's responsibilities for obtaining a completed Home Chemical Collection Center Participant Survey form for households disposing waste materials.
- Write formal procedures detailing staff's duties in collecting and maintaining Home Chemical Collection Center Participant Survey forms.



- Provide training and communicate the importance of form completion and impact on data accuracy.
- Determine a method for supervising and monitoring adherence to procedures (i.e. make periodic unannounced visits to the unloading location to observe staff performance and monitoring activity on security cameras).

Management Action Plan

- We discussed with the project manager of Clean Earth. It is now being monitored to ensure participant survey forms are completed prior to unloading the waste.
- We are now itemizing the contractors' invoices on the disposal reports.

Auditor's Response

- None

Capital Assets

Criteria

Per Dallas County Code Section 90-373, "All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records and making appropriate reports as required."

Per Dallas County Section 90-313(3), "The transfer of property, either interdepartmental, or from surplus must be approved by the commissioner court."

Per Dallas County Section 90-313(6), "It is the sole responsibility of the elected official/departmental head to which property is assigned to maintained a proper accounting of all property through proper inventory records."

Review

A review of 10 capital asset assigned to the department per the Oracle Asset Inventory Report revealed the following:

- One asset assigned to the department on the report was not located.
- According to the department, the asset was left at the Dallas County Fire Marshal's Office in 2003 when they were part of the office. No transfer document (P280) was located.



Cause/Effect

Management did not conduct a comprehensive inventory of all capital assets on hand and compare the results to the Oracle Asset Inventory report.

It is possible for assets to be lost or misappropriated when assets are transferred or relocated without approval or proper transfer documentation.

Recommendation

Capital Assets

Management should make the following corrective actions:

- Periodically perform a complete inventory of all capital assets assigned to the department.
- Investigate any missing property assigned to the department.
- Complete P280 for any capital asset transfer to another department or to surplus.
- Provide training for staff to adhere to Dallas County codes related to capital assets.

Management Action Plan

- We performed inventory of capital assets assigned to the Household Hazardous Waste department.

Auditor's Response

- None

CWR Financial Setup

Criteria

According to the County-Wide Receipting (CWR) System Administration Manual, user's roles should be distinct from one another and function independently. The main responsibility of a cashier is to issue receipts and accept payments. A cashier may be assigned multiple deposit sources but should not be granted supervisor user rights and roles. The supervisor's duties include closing out receipting periods, adjusting item prices, approving cancellations, verifying funds on hand, producing the department's deposit warrants, and generating reports.



The principle of least privilege is a standard information security practice that involves providing users with the minimum level of access or permissions necessary to carry out their job responsibilities. This principle is designed to reduce the potential damage that could result from accidental or intentional misuse of access privileges. Another essential principle is to divide tasks such as authorization, reconciliation, record-keeping, and asset custody functions among multiple employees to prevent any employee from performing two or more business duties that could compromise the integrity of a business process.

Review

A review was conducted to determine the department's user rights, roles, terminals, and access privileges for two CWR users. The following was revealed:

- An administrative assistant was granted access as a supervisor user role without proper authorization.
- The department field is currently empty for all three user group roles assigned to the HHW manager.

Cause/Effect

This occurred because the management has not implemented steps to segregate cashiering and supervisor responsibilities or verified user privileges assigned in CWR. In addition, vacant positions existed that reduced the department's ability to effectively segregate duties.

This resulted in a lack of system of checks and balances. The lack of accountability and oversight makes it difficult to identify and prevent errors, irregularities, or potential fraudulent activities effectively.

Recommendation**CWR Financial Setup**

Management should take the following corrective actions:

- Fill department vacancies and assign responsibilities to ensure cashiering and supervisory duties are appropriately segregated.
- Remove the Supervisor user group role from the administrative assistant's CWR privileges.
- Contact IT to add the department name to the department manager's roles.
- Review CWR system rights and roles at least annually to ensure users have only the rights necessary to perform their job functions in accordance with the concept of least privilege.
- Communicate change request to IT as needed.



Management Action Plan

- We now have Program Manager, Program Coordinator, and Administrative Assistant so that the roles are segregated properly based on the recommendations of this audit.

Auditor's Response

- None

Fee Charged to Non-Residents

Criteria

Per the Health and Safety Code Section 361.153, "a county may appropriate and spend money from its general revenues to manage solid waste and to administer a solid waste program. They may charge reasonable fees for those services."

Article V, section 18(b) of the Texas Constitution establishes the commissioners court as the county's principal governing body and grants the court "such powers and jurisdiction over all county business, as is conferred by [the] Constitution and the laws of the State."

Per standard operating procedure established by the Budget Office, Dallas County establishes user charges and fees as permitted by law at a level related to the cost of providing that service, including indirect costs. The Household Hazardous Waste department reports to the Commissioners Court through the County Administrator and Director of Consolidated Services.

Review

The fee coding and amounts configured in the County-Wide Receipting (CWR) system were reviewed. The following was identified:

- There is no court order setting the fee amount to be charged to HHW customers from non-participating cities.
- A non-participating city customer was charged a \$95 fee for waste disposal without approval by the Commissioners Court or supporting documentation.

Cause/Effect

This is due to lack of managerial oversight related to the fees.



It is possible customers from non-participating cities may be charged fees that are not reasonably supported by historical waste disposal costs, vendor contractual obligations, budgetary considerations, area statistics, and trends.

Recommendation

Fee Charged to Non-Residents

Management should make the following corrective actions:

- Ensure the fee is reasonable in compliance with Health and Safety Code Section 361.153 and supported by written documentation.
 - Retain all written documentation to establish an audit trail of management's financial decisions.
 - Utilize historical waste disposal costs, vendor contractual obligations, budgetary considerations, area statistics, and non-Dallas County customer trends in assessing a reasonable fee.
- Brief the Commissioners Court to establish the fee amount that will be charged for non-Dallas County customers a fee for waste and disposal services.

Management Action Plan

- The \$95 out of network fee has been in place since 1999. We will get this briefed to the Commissioners Court based on the recommendation from this audit.

Auditor's Response

- None

Manual Receipt Posting

Criteria

Per Local Government Code (LGC) § 113.022, "a county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received."

Per standard operating procedures, receipts should be verified for accuracy, including the amount, tender type, transaction date and payer name field before issuing to a customer. Manual receipt carbon copies are distributed as follows: the white copy to the customer, the



pink copy to the Treasurer's Office, and the yellow copy remains in the manual receipt book. The Treasurer's Office posts Household Hazardous Waste receipts to the County-Wide Receipting (CWR) system and creates a DC98 Form for the department.

Review

Twenty manual receipts were reviewed for accuracy and completeness when posting to the CWR system. The following were identified:

- Fourteen manual receipts totaling \$1,330 were not posted within five business days but posted to CWR between six and 39 business days.
 - Thirteen CWR computer receipts totaling \$1,235 were posted without referencing the manual receipt number.
 - One manual receipt for \$95 was not posted to the Household Hazardous Waste department's account in CWR. It is not clear if the money was deposited.
- Two computer receipts totaling \$190 were posted to CWR without the payor's name.

Cause/Effect

This occurred because the department makes one deposit weekly. Management did not follow procedures by reviewing CWR reports for discrepancies or errors.

A lack of oversight may result in inaccuracies, an incomplete audit trail, deposit delays, and can result in loss to the department.

Recommendation

Manual Receipt Posting

Management should take the following corrective actions:

- Contact the Treasurer's Office to locate the missing CWR receipt and ensure the transaction is applied to Household Hazardous Waste.
- Ensure transactions are promptly receipted to CWR and deposited within five business days consistent with LGC 113.022.
- Provide the pink manual receipt carbon copies to the Treasurer's Office for receipting.
- Review the CWR Deposit Management reports for timely deposits and compare receipts on the DC6 Receipts report to department records for discrepancies.
 - Obtain CWR report training so staff can effectively monitor receipting and depositing activities.

Management Action Plan



- Deposits are being promptly receipted per recommendations from the FY2021 and FY2022 audits.

Auditor's Response

- None

Inter-Local Agreement Billings

Criteria

Per Local Government Code (LGC) Section 115.001, "the county auditor shall examine and investigate the correctness of: the books, accounts, reports, vouchers, and other records of any officer."

Per the Health and Safety Code Section 361.163, "a county may enter into cooperative agreements with local governments and other governmental entities to jointly operate solid waste management activities and to charge reasonable fees for the services." The Household Hazardous Waste Department's standard operating procedure is to bill participating cities quarterly for operational and capital costs derived from the department's annual budget submitted to commissioner's court. Participating cities are billed monthly for the actual collection, setup, and disposal costs incurred and paid by Dallas County.

The County-Wide Receipting (CWR) system is utilized by Dallas County for departments to post receipts and track collected revenues by general ledger coding. For the department, quarterly billings are allocated to project 94017 and monthly billings are allocated to project 94031.

It is a standard practice for management to review the accuracy of account coding to make informed decisions for planning, track expenses and revenues, control costs, make strategic decisions, and ensure transparency and reliability in financial reporting. Also, it is a standard practice for management to follow up on delinquent accounts, unpaid invoices, and make billing inquiries as part of their review of accounts receivable.

Review

All 60 monthly billings and 20 quarterly billings were reviewed for five Interlocal Agreement (ILAs). The following were identified:

- A total of \$14,405 from the FY2022 Annual Operational and Capital Budget was not billed to participating cities.
 - 18 monthly waste disposal billings totaling \$275,8412 were receipted to project 94017 instead of 94031.



- Three invoices totaling \$29,010 remain outstanding.

Cause/Effect

This occurred because management did not bill cities using the fiscal year 2022 budget that was approved by Commissioners Court, did not pull reports and follow up with cities on the collection of outstanding invoices, and did not review project coding when posting receipts to the general ledger.

As a result, the County incurred program cost that should have been assessed to the cities and have not collected all revenue due. Lastly, a lack of management review increases the risk of errors and uncollected revenue.

Recommendation

Inter-Local Agreement Billings

Management should take the following corrective actions:

- Bill participating cities for the \$14,405 in unbilled quarterly costs from the FY2022 budget.
- Collect the three outstanding invoices totaling \$29,010 as soon as possible.
- Implement procedures to ensure quarterly billings are based on approved budgets.
 - Ensure the approved budget is reflected in participating city contracts.
- Check for outstanding billings by reconciling billings to CWR reports (like the DC11).
- Implement procedures to post billing receipts to the appropriate project.
- Perform a supervisory review of deposits, revenue account coding, and outstanding billings monthly.

Management Action Plan

- We had a clerical error that was not noticed until this audit. We are not reviewing all budgets for accuracy.

Auditor's Response

- None



Waste Disposal Contract and Invoices

Criteria

Per the Health and Safety Code Section 361.163," a county may enter into cooperative agreements with local governments and other governmental entities to jointly operate solid waste management activities and to charge reasonable fees for the services."

Court Order 2020-0753 established the following costs to be paid per hour:

- Chemist II is paid \$40.
- Chemist I is paid \$42.
- Technician II is paid \$30.
- Technician I is paid \$33.

Review

Twenty-five invoices were randomly sampled from 193 waste disposal invoices paid in FY2022. The following was identified:

- There were four invoices with incorrect labor charges resulting in an overcharge to Dallas County for \$1,002.

Cause/Effect

The department did not compare the labor rate on invoices to the contract or follow up on the discrepancies with the vendor.

Lack of adequate review of invoices prior to payment resulted in the County overpaying the vendor more than the contractually agreed amount.

Recommendation

Waste Disposal Contract and Invoices

Management should take the following corrective actions:

- Review the terms of contracts with vendors and report inadequate or inconsistent terms with the purchasing department, prior to briefing the contract to Commissioners.
- Compare the labor rate on invoices to the contract.
- Follow up on invoice discrepancies with the vendor.
- Ensure invoices, including the cost and units disposed, are reviewed for accuracy and completeness.

Management Action Plan

DALLAS COUNTY



COUNTY AUDITOR

- All invoices are now being reviewed for accuracy.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator