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Clerk/Auditor

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Weber County Audit Committee  
2380 Washington Blvd.  
Ogden, UT 84401

Dear Committee Members:

I recently completed a comprehensive key internal control audit of the Weber Transfer Station's operations and administrative procedures. My purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls. My examination period covered 2020 transactions.

My audit scope included tests from the following Internal Control Questionnaires (ICQ), used as my audit program:

- Cash Receipting and Deposits
- Accounts Payable Disbursements
- Accounts Receivable Procedures
- General Journal Entries
- Fixed Asset Accounting and Safeguards

**Background:**

The Solid Waste Transfer Station Fund is one of three Enterprise funds used to report the same activities presented as business-type activities in the government-wide financial statements. This fund accounts for operations at the Weber Transfer Station. Transfer Station revenues exceeded expense by 9.6% in 2019, 4.0% estimated in 2020, and 7.3% projected for 2021. Revenues in 2020 exceeded \$10 million, up approximately \$284,000 over 2019. 2020 expenditures were up over \$830,000 from 2019. Many of these increase expenditures can be attributed to COVID requirements. The Transfer Station had 31 Full Time Equivalent Employees (FTE) at the end of 2020.

**Cash Receipting and Deposits:**

**Scope:**

There were 1,000 Transfer Station receipt transactions posted thru MUNIS for 2020, totaling a net \$9,858,797.17. I selected a random sample of 50 (5%) transactions totaling \$676,062.89 (6.9%) for testing.

**Observations:**

The 1,000 posted CRP transactions represent approximately 164,500 individual receipts, or tickets. My tests did not disclose any material variances. I was able to locate and review all sampled items. Cash over and short transactions were part of my sample. There were no patterns identified. The net amount of 342 over/short transactions totaled \$397.67 short for the year.

**Recommendations:** None

## **Accounts Payable Disbursements:**

### **Scope:**

There were 688 accounts payable invoice (API) and accounts payable maintenance (APM) transactions for the Transfer Station totaling \$6,889,349.03 net. I randomly sampled 70 (10.2%) of these transactions totaling \$1,058,643.51 (15.4%).

### **Observations:**

I observed minor administrative and accounting concerns with immaterial consequences. Each item was discussed with management and staff.

### **Recommendation:**

None.

## **Accounts Receivables Procedures:**

### **Background:**

The Transfer Station has approximately 415 credit or accounts receivable customers in the accounts receivable system. Of those, 194 were active in 2019 and 2020. At year-end 2020, 93 customers owed \$900,209.43, net of 22 customers with \$1,239.80 credit balances, aged as follows:

Current	\$ 612,220.32
Over 30 Days	260,094.59
Over 60 Days	20,327.24
Over 90 Days	<u>7,567.28</u>
Total	\$ <u>900,209.43</u>

### **Observations:**

Transfer Station personnel aggressively pursue collection. In the event collection attempts fail, the customer is put on cash basis only until past balances are paid in full. This is strictly enforced and supported by management. This has resulted in a low percentage of older unpaid balances.

In a prior Transfer Station audit, dated 26 May 2015, I identified a high risk finding related to inadequate segregation of duties due to limited staffing, and no implementation of compensating controls. I recommended that, *“Solid Waste Management create and implement compensating controls throughout the accounts receivable process to protect County Employees and County assets from misappropriations and errors.”* An adequate system was implemented and tested in my six month review.

In my follow-up audit dated 15 May 2018, I observed, *“In compliance with our recommendations, a system of compensating controls was implemented that provides a month end proof of balance. Adjustments to individual balances are isolated and reviewed and approved by the Transfer Station Director monthly. I performed a proof of balance for September, October, and November 2017 by confirming balances, payments, charges, and adjustments. I found no variances in my proofs.”*

In my current audit I tested the compensating controls and found that all implemented controls were adequately in place, except that the proof of balance was not being performed. I worked with the new accountant and together we successfully proofed the first three months of 2021. The accountant then proofed April 2021. This procedure will be performed monthly throughout 2021. I will test this in October/November in my six month review.

The year-end accounts receivable balance is understated in the MUNIS financial statements. With the help of the Weber County Comptroller and staff, we verified that reported 2020

revenues were accurate. It appears that the understated balance is the result of prior period conversion from cash basis accounting to full accrual. The Comptroller will test the charges, receipts, and adjustment for credit customers throughout 2021 and the impact these have on the WASTE WORKS accounts receivable reports. (WASTE WORKS is the accounting system used at the Transfer Station.) After a review of the monthly 2021 WASTE WORKS transactions and reconciliation to MUNIS, the appropriate adjustment in MUNIS to reconcile the balances in the two systems will be determined and implemented.

**Recommendations: Low Risk**

1. Transfer Station management continue to enforce and implement compensating controls to verify the accuracy of customer's accounts receivable balances.
2. Weber County Clerk/Auditor review the reconciliation and proper reporting of MUNIS and WASTE WORKS accounts receivable balances.

**General Journal Entries:**

**Scope:**

There were 1,254 journal entries for the Transfer Station with a net debit total at \$1,754,299.97. I randomly sampled 65 (5.2%) of these transactions totaling \$69,291.45 (3.9%) net debit.

**Observations:**

All journal entries were created and posted by different Clerk/Auditor personnel. Forty-nine of the 65 transactions sampled were credit card purchases. There were no unresolved variances in my tests.

**Recommendation:**

None

**Fixed Asset Accounting and Safeguards**

**Scope and Observation:**

The Transfer Station reported 25 active class 40 equipment items on the MUNIS inventory with a cost basis at \$1,007,861.57. I located and identified all assets that were at the Transfer Station location. I did not observe the assets at the western facility off Pioneer Road.

**Recommendation:**

None

I appreciate the time spent by Transfer Station's management and staff, and the Weber County Clerk/Auditor's staff, for their help and support during my audit. They were friendly, courteous, and cooperative, answering my questions, gathering necessary documents and records, and allowing me access to their information.

Sincerely,

Roger K Larsen  
Weber County Internal Auditor