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Clerk/Auditor

3 May 2023

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

Dear Committee Members:

I recently completed an audit of the Weber County Transfer Station. 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 2022 transactions.

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

- Accounts Payable Disbursements
- Revenue Collection and Deposits
- General Journal Entries
- Capital Asset Confirmation
- Other

Accounts Payable Disbursements:

There were 624 accounts payable disbursements totaling \$8,695,564.36. I randomly sampled 65 (10.42%) transactions totaling \$1,072,470.68 (12.33%). My findings include:

- Office Supplies classified as equipment maintenance - \$297.50
- Treasure Fire Equipment invoice without adequate detail - \$644.00
- Crane equipment rebuild potentially extending life, not capitalized - \$26,095.19
- Shop supplies classified as equipment maintenance - \$327.84
- Southern Tire Mart LLC invoice paid without detail, looks like statement - \$630.09
- Salt spreader purchase classified as equipment maintenance not capitalized - \$6,270.00
- Generator repair classified as software maintenance - \$3,353.67
- Unidentified CenturyLink phone number - \$289.14. Part of larger group
- Waste disposal fees of \$453,993.42 for 438 loads totaling 16,348.34 tons, could not be verified with Transfer Station data. Analysis is completed on every invoice for reasonableness of charge. County is dependent on vendor information.
- Four temporary staffing invoices classified as Special Supplies - \$9,290.82. Consider adding object code to isolate temporary staffing expenses

Revenue Collection:

There were 1264 CRP revenue postings totaling a net \$11,739,897.22. I randomly sampled 50 (4.0%) transactions totaling a net \$335,965.23 (2.9%). The net over/short at year end, after tens of thousands of transactions, was \$62.13 over. I reviewed all relevant journal entries and verified that the \$62.13 was supported.

While conducting the audit, the Compost Station was finally brought online to Waste Works. Even though the manual receipt process was acceptable from an internal control perspective, integrating compost into the system will help all aspects of collecting and depositing. I believe that a pre-printed daily reconciliation template could facilitate the daily close out. Ticket Batch Reports for each of the revenue centers would be attached to the template for support. Presently, the Scale House for Site 22 is used as the baseline, with Shack and Composite added manually. Totals for cash, checks, and credit cards are written on the baseline for reference. A pre-printed template would add consistency to the closeout process as well as facilitate review by a second person and Clerk/Auditor staff.

There were no unresolved CRP issues from my sample.

General Journal Entries:

There were 1,357 total journal entry transactions during the year, GEN, GRI, and GRV. I randomly sampled 75 (5.5%) transactions for review. This is the first time I noticed the monthly conversion to full accrual by matching MUNIS accounts receivable balance to Waste Works month end aging report. I confirmed that the year end balances matched.

There was one journal entry created and posted by the same employee, a credit of \$14.58 GRV.

There were no unsupported or unresolved journal entries.

Capital Asset Confirmation:

There were 36 active Class 40 (equipment) capital assets in the MUNIS capital asset report. I sampled 15 of the assets for physical count. In addition, I selected assets identified while conducting the review to ensure that they were reported on the asset report. Also, I tested all 2022 purchases to ensure that they were reported on the inventory list. Observations include:

- All 2022 purchases through object code 76400 – Capital Equipment, were reported
- I could not isolate and verify asset 843 – Air compressor/used Ingersoll, purchased 02/23/07. There was no serial number or other unique identification on file. However, I did observe two Ingersoll compressors in use on site.
- A salt spreader purchased through object code 62500 for \$6,270 was not on the asset list. This is shown above in my API sample.
- A used Atlas Copco compressor, with a net \$9,825 cost, purchased through object code 62500, was not capitalized.
- There were five object code 62500 expenditures above \$5,000 for repairs that may result in extension of life for the repaired equipment.

Other:

Five organization codes have been set up as profit centers for Transfer Station operations:

1. 40450410 – Transfer Station Construction & Demolition (C&D)
2. 40450415 – Transfer Station Compost
3. 40450420 – Transfer Station Scale House
4. 40450425 – Transfer Station Recycle Tent
5. 40450430 – Transfer Station

Three of the five were used for 2022 operations. The results, as reported in MUNIS are as follows:

<u>Organization</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Net Gain/(Loss)</u>
C&D	1,365,789	804,096	561,693
Compost	312,185	421,573	(109,388)
Transfer Station	<u>10,167,340</u>	<u>9,421,926</u>	<u>745,414</u>
Total	<u>\$11,845,314</u>	<u>\$10,647,595</u>	<u>\$1,197,719</u>

This is presented for information only. I have not tested nor verified direct transactions or allocations. This illustrates the progressive management interest in each profit center, and gives a good indication of where resources should be concentrated. For example, C&D had a profit of \$561,693, whereas Compost lost \$109,388. Examining Compost details by object code, compost's salaries, wages, and benefits totaled \$301,849, or 96.7% of total revenues. Diamond Tree Grinding was paid \$67,425 for tree and stump grinding. This gives management an opportunity to determine if revenues need to be increased or expenses need to decrease. I commend this type of progressive analysis so that the purposes of the proprietary fund can be met through management action.

Recommendations:

I recommend that the Weber County Transfer Station Director:

1. Review the MUNIS monthly detail general ledger to identify and correct miscoded object codes.
2. Ensure that expenditure invoices are not approved for payment without adequate detail of services provided or materials received.
3. Consult with the Clerk/Auditor's office on extension of life repairs for possible capitalization.
4. Include the 2022 purchases of a salt spreader and Atlas Copco air compressor as capital assets. These transactions were reported in Organization 40450430, Object Code 62500.
5. Consider isolating temporary labor expenditures for better management control.
6. Identify location of Century Link phone number and determine its continued need.
7. Continue to develop verification methods to support outside waste disposal fee invoices.
8. Consider the use of a pre-printed template for daily sales and deposit closeouts. Include all Site Reports with scanned source support.
9. Update capital asset data with missing serial numbers, license numbers, location codes, and other identifying information to assist in physical control of assigned assets.

I appreciate the support and assistance that I received from the Director and staff throughout my audit. They were very helpful and made every effort for me to accomplish the scope of my audit.

Sincerely,

Roger K Larsen
Weber County Internal Auditor