



City of Albuquerque

Office of Internal Audit

SECOND FOLLOW-UP

SOLID WASTE MANAGEMENT DEPARTMENT –
RESIDENTIAL COLLECTIONS AUDIT

Report #21-13-105F

Date: June 23, 2021

INTRODUCTION

The Office of Internal Audit (OIA) issued Audit No. 13-105, Solid Waste Management Department (SWMD) – Residential Collections on October 30, 2013. The objectives of the audit were to determine if controls in place ensure full collection of residential fees as defined in *Article 10: Solid Waste Management and Recycling §9-10-1-11 Collection Fees*; if monitoring controls in place provide effective tracking and control of daily residential collection services; if controls are in place to ensure complete, accurate, and consistent recording of residential load weights and calculation of compaction rates; and if controls are sufficient to ensure accurate and consistent cost of service calculations. OIA conducted a first follow-up which was issued on December 9, 2015 and found that four of five recommendations had been implemented and were considered closed. OIA completed a second follow-up to determine the corrective action SWMD has taken in response to the remaining recommendation. Audit recommendations that were determined to be previously resolved and/or fully implemented are not included in this report.

BACKGROUND

On a weekly basis, the SWMD's Residential Collections Division provides curbside residential automated trash collection service for approximately 180,000 residences, and responds to requests for large-item pickups. SWMD and the Albuquerque Bernalillo County Water Utility Authority (ABCWUA) jointly bill customers for water and solid waste services. The original audit of the Residential Collections Division found that SWMD has opportunities for improving its system of internal controls surrounding the revenue collection cycle, the waste collections process, the waste disposal process and defining the cost of service process.

OBJECTIVE

The objective of this second follow-up was to determine whether SWMD has taken the corrective actions recommended in OIA'S October 30, 2013 audit report on SWMD's Residential Collections. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purposes of audit reports

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include facilitating follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, SWMD is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendations from the original audit report dated December 9, 2015 through the submission of actions on April 14, 2021.

METHODOLOGY

To achieve the objective, OIA:

- Obtained documentary evidence from SWMD.
- Interviewed the department Director to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that SWMD had reported as implemented.


RESULTS

The one open recommendation has been implemented and is now considered closed. Therefore, all five recommendations made in the original audit report have been addressed and are now closed. See ATTACHMENT 1.

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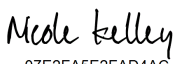
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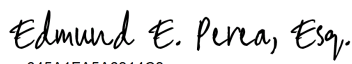
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Edmund E. Perea, Chairperson,
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ATTACHMENT 1

Recommendation	Original Department Response	Second Follow-Up Department Response	OIA Conclusion	OIA Use Only Status Determination
<p><u>Recommendation #2</u> The Solid Waste Management Department should issue a written policy for approval of credits and adjustments to customer accounts. The policy should clearly identify the requirements and standards for granting credits and adjustments. The policy should also identify required management signoffs and dollar thresholds. The policy should be reviewed at least annually and submitted to the Department of Finance and Administration (DFAS) for review.</p>	<p>Solid Waste Management Department agrees with the finding and recommendation. The policy on adjustments was at some point documented by the Department and followed by the Quality Assurance and Billing Sections. However, the Department was unable to locate the actual written document. The process has been in practice for several years and new employees are trained to follow it. The Auditor found that the process was being followed. The Department has rewritten the policy as it could not be located either in hard copy or electronically. The written policy has been submitted to the Auditor. The Department will review the policy annually and submit it to the Department of Finance and Administration (DFAS) for review.</p>	<p>SWMD developed an internal department policy in response to the recommendation, titled <i>Bad Debt Write Off Procedure</i>, along with the <i>Adjustment Approval Form</i>. The purpose of the policy is to provide guidance to SWMD on how to handle credits and adjustments to customers' refuse billing accounts. The <i>Form</i> is used to process and document those adjustments.</p> <p>SWMD could not identify current approval of the policy by DFAS and as a result, is in the process of obtaining current approval from the Director of DFAS, the Treasurer and the City Controller.</p>	<p>OIA verified that SWMD developed and implemented a policy in response to the original audit report's recommendation. OIA obtained and reviewed the <i>Bad Debt Write Off Procedure</i> and <i>Adjustment Approval Form (Form)</i> and verified that the policy identifies the requirements and standards for granting adjustments (which can either be a credit or debit), defines the process for how to adjust customer accounts, and lists dollar thresholds of adjustments along with required approvers. The <i>Form</i> then documents these requirements for each account adjustment. However, annual review and approval of the policy by DFAS could not be substantiated and per SWMD, management, SWMD is in the process of obtaining it.</p> <p>Additionally, OIA reviewed <i>Administrative Instruction (AI) NO: 2-2</i> which was cited in the original audit report. The <i>AI</i> states, "each Business Unit should have a written policy and procedures for Collections. The roles and responsibilities of Collections for each department should be clearly defined; however, if a department does not have a Collections Policy and Procedures, then the policies in this manual will govern the department's policies."</p> <p>As the department's policy is supplemental to <i>AI NO: 2-2</i> and not a requirement, OIA has determined this recommendation has been fully implemented and is closed.</p>	<p><input type="checkbox"/> Open</p> <p><input checked="" type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>