



Department of Public Works - Bureau of Solid Waste

Biennial Financial Audit

Fiscal Years Ended June 30, 2018 and 2017

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Honorable Joan M. Pratt, Comptroller
and Other Members
of the Board of Estimates
City of Baltimore, Maryland

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities of the Department of Public Works, Bureau of Solid Waste (Agency), an agency of the primary government of the City of Baltimore (City), Maryland, which comprise the *Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, General Fund; Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, Energy Conservation Fund; Statement of Revenues, Expenditures, and Changes in Capital Project Funds; and Statement of Revenues, Expenditures, and Changes in Grant Cash Balances*, for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 3. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except for peer review requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues collected and expenditures paid for governmental activities, of the Agency, for the years ended June 30, 2018 and 2017 in accordance with the cash basis of accounting described in Note 3.

Basis of Accounting

The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Other Requirements

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 31, 2019, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters (see page 11). The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

Biennial Financial Audit Report on Department of Public Works – Bureau of Solid Waste

opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Respectfully,



Josh Pasch, CPA
City Auditor
Baltimore, Maryland
October 31, 2019

CITY OF BALTIMORE
Department of Public Works - Bureau of Solid Waste
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – General Fund
For Fiscal Years Ended June 30, 2018 and 2017

	<u>Final Budget</u>	<u>2018 Actual</u>	<u>Variance</u>
Revenues			
Appropriation revenues	\$ 83,069,514	\$ 78,648,683	\$ 4,420,831
Expenditures and Encumbrances:			
Administration - solid waste	1,530,023	1,436,550	93,473
Public right-of-way cleaning	17,339,113	16,691,470	647,643
Vacant/abandoned property cleaning and boarding	9,249,532	10,113,280	(863,748)
Waste removal and recycling	28,080,102	29,475,906	(1,395,804)
Waste re-use and disposals	24,110,881	18,596,078	5,514,803
Administration - DPW	2,759,863	2,335,399	424,464
Total Expenditures and Encumbrances	<u>83,069,514</u>	<u>78,648,683</u>	<u>4,420,831</u>
Excess of Revenues over Expenditures	-	-	-
Beginning Budgetary Fund Balance	-	-	-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>Variance</u>
Revenues			
Appropriation revenues	\$ 80,582,963	\$ 75,684,114	\$ 4,898,849
Expenditures and Encumbrances:			
Administration - solid waste	2,238,395	1,604,324	634,071
Public right-of-way cleaning	17,422,209	18,587,692	(1,165,483)
Vacant/abandoned property cleaning and boarding	7,144,152	8,160,106	(1,015,954)
Waste removal and recycling	27,557,493	28,986,969	(1,429,476)
Waste re-use and disposals	21,668,003	17,750,026	3,917,977
Administration - DPW	4,552,711	594,997	3,957,714
Total Expenditures and Encumbrances	<u>80,582,963</u>	<u>75,684,114</u>	<u>4,898,849</u>
Excess of revenues over expenditures	-	-	-
Beginning Budgetary Fund Balance	-	-	-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Department of Public Works - Bureau of Solid Waste
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – Energy Conservation Fund
For Fiscal Years Ended June 30, 2018 and 2017

	<u>Final Budget</u>	<u>2018 Actual</u>	<u>Variance</u>
Revenues			
Appropriation revenues	\$ 2,437,511	\$ 595,674	\$ 1,841,837
Expenditures			
Salaries and wages	1,486,715	145,944	1,340,771
Other personnel cost	206,949	120,358	86,591
Contractual services	659,704	1,369,848	(710,144)
Material and supplies	17,051	2,076	14,975
Minor equipment	64,696	13,658	51,038
Other	2,396	3,471	(1,075)
Total Expenditures and Encumbrances	<u>2,437,511</u>	<u>1,655,355</u>	<u>782,156</u>
Deficiency of Revenues over Expenditures	<u>\$ -</u>	<u>\$ (1,059,681)</u>	<u>\$ 1,059,681</u>

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>Variance</u>
Revenues			
Appropriation revenues	\$ 2,289,075	\$ 1,067,565	\$ 1,221,510
Expenditures			
Salaries and wages	1,398,334	202,132	1,196,202
Other personnel cost	231,403	162,655	68,748
Contractual services	545,484	1,409,317	(863,833)
Material and supplies	26,390	80	26,310
Minor equipment	65,413	4,573	60,840
Other	22,051	22,301	(250)
Total Expenditures and Encumbrances	<u>2,289,075</u>	<u>1,801,058</u>	<u>488,017</u>
Deficiency of Revenues over Expenditures	<u>\$ -</u>	<u>\$ (733,493)</u>	<u>\$ 733,493</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Department of Public Works - Bureau of Solid Waste
Statement of Revenues, Expenditures, and Changes in Capital Project Balances
For Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
Revenues		
General Fund	\$ 177,755	\$ 977,755
Mayor & City Council	-	1,524,000
Federal Grant	-	45,532
Other	4,534,591	591,370
Total Revenues	4,712,346	3,138,657
 Expenditures		
Capital outlay	60,021	644,643
Excess of Revenues over Expenditures	4,652,325	2,494,014
Beginning Fund Balance	2,511,475	17,461
Ending Fund Balance	\$ 7,163,800	\$ 2,511,475

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Department of Public Works - Bureau of Solid Waste
Statement of Revenues, Expenditures, and Changes in Grant Cash Balances
For Fiscal Years Ended June 30, 2018 and 2017

	<u>July 1, 2017</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>June 30, 2018</u>
State Grants				
Administration - energy	\$ 8,272,691	\$ 2,770,253	\$ 1,230,255	9,812,689
Total revenues, expenditures and change in grant balances - State	<u>8,272,691</u>	<u>2,770,253</u>	<u>1,230,255</u>	<u>9,812,689</u>
Other Grants				
Administration - solid waste	49,020	-	-	49,020
Waste removal and recycling	5,600,599	-	-	5,600,599
Total revenues, expenditures and change in grant balances - Other	<u>5,649,619</u>	<u>-</u>	<u>-</u>	<u>5,649,619</u>
Total Grants	<u>\$ 13,922,310</u>	<u>\$ 2,770,253</u>	<u>\$ 1,230,255</u>	<u>\$ 15,462,308</u>
	<u>July 1, 2016</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>June 30, 2017</u>
State Grants				
Administration - energy	\$ 8,524,280	\$ 1,740,609	\$ 1,992,198	8,272,691
Total revenues, expenditures and change in grant balances - State	<u>8,524,280</u>	<u>1,740,609</u>	<u>1,992,198</u>	<u>8,272,691</u>
Other Grants				
Administration - Solid Waste	49,020	-	-	49,020
Waste Removal and Recycling	5,600,599	-	-	5,600,599
Total revenues, expenditures and change in grant balances - Other	<u>5,649,619</u>	<u>-</u>	<u>-</u>	<u>5,649,619</u>
Total Grants	<u>\$ 14,173,899</u>	<u>\$ 1,740,609</u>	<u>\$ 1,992,198</u>	<u>\$ 13,922,310</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Department of Public Works - Bureau of Solid Waste
Notes to the Financial Statements

1. Description of the Department of Public Works

The Department of Public Work's (DPW) mission is to enhance and sustain healthy quality of life for every citizen and customer by providing efficient management of its services. The DPW consists of three major divisions: (1) Bureau of Solid Waste; (2) Surface Water Service; and (3) Bureau of Water and Wastewater.

Bureau of Solid Waste

The Bureau of Solid Waste is responsible for providing waste removal and recycling services, including curbside collection of mixed refuse, recycling, and seasonal waste for 640,000 residents in approximately 210,000 households. The Bureau of Solid Waste also provides vacant and abandoned property maintenance services, rat control services as well as public right of way cleaning of streets, alleys and lots. The Bureau of Solid Waste is also responsible for disposal of refuse in accordance with governmental regulations and mandates. This includes the management of a 125-acre active landfill at Quarantine Road and through agreements with the Wheelabrator Waste to Energy facility, recycling service providers and maintenance of six closed landfills. The long-term goal is to reduce volume and amount of waste deposited in landfills in order to extend the life of these assets and make the City self-reliant for the future. The Bureau of Solid Waste also promotes and markets special initiatives for a cleaner and greener Baltimore.

Surface Water Service

The Surface Water Service consolidates all stormwater related functions and includes the Watershed Liaison Office, Stormwater Management and Sediment and Erosion Control, Storm Drain Engineering, Storm Drain and Waterway Maintenance, Water Quality Monitoring and Inspections, and Environmental Engineering. The Division's mission is to restore the City's surface water to swimmable, fishable conditions in compliance with the Environmental Protection Agency and the Clean Water Act. The Division is pursuing the establishment of a fee based utility to fund capital projects and operations necessary to meet State and Federal mandates.

Bureau of Water and Wastewater

The Bureau of Water and Wastewater is responsible for the operation of a water distribution system that supplies water to 1.8 million customers in the Baltimore Metropolitan Region. These responsibilities include the operation, maintenance and security of three watershed systems, three filtration plants, pumping stations and 4,500 miles of water distribution mains. The collection and treatment of wastewater, the operation and maintenance of two wastewater treatment plants, approximately 3,100 miles of collection and conveyance lines

CITY OF BALTIMORE
Department of Public Works - Bureau of Solid Waste
Notes to the Financial Statements

pumping stations and the City's system of storm drains are also the Bureau of Water and Wastewater's responsibility.

The Financial Statements of the Bureau of Water and Waste Water are not included in these financial statements because they are audited separately by the City's outside auditors and the City Department of Audits.

2. Fund Financial Statements

These financial statements were prepared on the cash basis of accounting, which is a basis of accounting other than GAAP. Accordingly, they do not represent the financial position of the City or the Agency. The Agency's services are reported in the City's general, internal service, special revenue and capital projects funds. The Agency annually receives appropriations from both the general, internal service, special revenue and capital projects funds. General fund and internal service fund appropriations expire at year end. The special revenue funds receive grants from the Federal, State and other sources. Appropriations for special revenue funds do not expire at year end and continue until they are used for grant related expenditures. Because of these differences, the financial statements of the Agency's general and internal service fund activities are reported on a budgetary basis in the *Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance*. The financial statements of the special revenue and capital project funds are reported in the *Statement of Revenues, Expenditures and Changes in Fund Balance*.

3. Summary of Significant Accounting Policies

The financial statements of the Agency are prepared on a cash basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP. This basis of presentation differs from GAAP in that revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with GAAP.

4. Budget Process

The Agency participates in the City's Outcome Based Budgeting process. Outcome Based Budgeting is a budget process that aligns resources with results produced. This budgeting tool integrates strategic planning, long-range financial planning and performance management, and is a recommended practice of the Government Finance Officers Association.

CITY OF BALTIMORE
Department of Public Works - Bureau of Solid Waste
Notes to the Financial Statements

5. Advance from the City

Advances from the City represent cash advances by the City that have not been reimbursed by the grantor(s). Cash advances not reimbursed by the grantor(s) will be the responsibility of the City.

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and members of the public; and natural disasters. The Agency is a chartered agency within the City municipal government. Therefore, its exposure to various risks is managed by the City's Office of Risk Management.

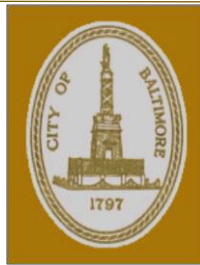
7. Subsequent Events

No subsequent events have occurred that would require recognition or disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

CITY OF BALTIMORE

JOAN M. PRATT, CPA
Comptroller



DEPARTMENT OF AUDITS JOSH PASCH, CPA

City Auditor
100 N. Holliday Street Room 321, City Hall Baltimore,
MD 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

Honorable Joan M. Pratt, Comptroller
and Other Members
of the Board of Estimates
City of Baltimore, Maryland

In planning and performing our audit of the financial statements, we considered the Department of Public Works Bureau of Solid Waste's (Agency) internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness as Finding 1.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency as Finding 2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department of Finance and the Agency’s Response to Findings

The Department of Finance’s and the Agency’s response to the findings identified in our audit are described in the accompanying schedule of findings and Appendix I. The Department of Finance’s and the Agency’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully,



Josh Pasch, CPA
City Auditor
Baltimore, Maryland
October 31, 2019

Finding #1: Material Weakness – Revenue has been idle since 2007

The Agency did not have a process to review the general ledger to validate account activities and account balances. As a result, the Agency was unaware of revenue which was available for use. For example, our audit of the *Statement of Revenues, Expenditures and Changes in Grant Cash Balances* for the periods ending June 30, 2018 and 2017 identified a \$5.6 million revenue balance in grant account number 6855XX¹ without any corresponding expenditure activity. According to the Agency, the \$5.6 million revenue has been sitting on the books since 2007, which resulted from citations issued by the Sanitation and Enforcement Division prior to the transfer to the Department of Housing and Community Development. This issue was also noted during our previous audit.

According to the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office by the Comptroller General of the United States (Green Book),

- “Management designs control activities so that all transactions are completely and accurately recorded.”
- “Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. “Transactions” tends to be associated with financial processes (e.g., payables transactions), while “activities” is more generally applied to operational or compliance processes. For the purposes of this standard, “transactions” covers both definitions.”
- “Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.”

Recommendation #1

We recommend the Director of Department of Public Works:

- Review the account to determine the source and accuracy of the fund balance.
- Utilize or remit the funds to the appropriate fund.
- Perform periodic account analysis to appropriately identify and manage the corresponding financial activity.

¹ The last two digits “XX” represents multiple FY.

Finding #2: Significant Deficiency – Certain controls are missing at the disposal site

The DPW does not have preventative and detective controls to minimize the risk of potential financial loss resulting from misappropriation of landfill revenue² or assets at the Northwest Transfer Station (NTS) and Quarantine Road Landfill (QRL). Specifically, the land fill revenue collection duties are not properly segregated; management oversight is lacking; camera systems (detective control) are not operating.

The current land fill revenue collection process:

- Requires the administrative staff to enter data (e.g. tag number) to initiate vehicle weighing and produce the resulting record. This is because the scales neither automatically initiate the weighing process to record the transaction and related collection nor is a counter available to permit daily reconciliation.
- Permits the administrative staff to prepare credit memos to clear / cancel the respective collection(s). The credits are not recorded on the daily collection report that is used to prepare the bank deposit nor are credit memo reports obtained by management for review and reconciliation purposes.

Segregation of Duties
<ul style="list-style-type: none">• Segregation of duties helps prevent fraud, waste, and abuse in the internal control system.• If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.• Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties.
Source: Green Book

- Allows the administrative staff person at the QRL to collect cash, prepare the daily deposit and validate of the corresponding deposit. However, there is no independent management verification to ensure revenue is properly collected, deposited, and recorded.

Additionally, observation of the landfill sites indicated that:

- Camera systems are not operable at NTS and QRL to detect suspicious activities.
- There are no controls to preclude QRL employees from entering the landfill area and exiting with scrap metal and other assets.

² The landfill revenue collected for FY 2018 and 2017 are \$7 million and \$7.8 million, respectively.

Biennial Financial Audit Report on Department of Public Works – Bureau of Solid Waste

- NTS and QRL gate house staff can provide access to residents and businesses, collect fees and not record the transactions. The staff could also understate the activity of businesses that are billed monthly.

According to the Green Book,

- Management should divide or segregate key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.
- Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
- Management should remediate identified internal control deficiencies on a timely basis.
- Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

Recommendation # 2

We recommend the Director of DPW:

- Revise the weigh station system to initiate the weighing process when the vehicle crosses the scale. Alternatively, install a counter and reconcile the records against the daily activity log and deposit.
- Implement a policy and procedures that requires management to: (1) obtain and review credit memo reports daily; (2) ensure the accuracy of the corresponding deposit(s); and (3) include the credit memo reports into the deposit validation process.
- Segregate the QRL cash collection, recording and deposit preparation functions. Alternatively, an independent secondary or management review can be performed and appropriately documented.
- Install camera systems at both locations to monitor operations.

Finding #3: Significant Deficiency – Internet outages at disposal sites resulted in operation inefficiency

Multiple internet outages were noted during observation of the NTS's vehicle weighing system, which shut down weighing operations, precluded site access, and significantly impacted wait times for residents and City and private haulers. Also, discussions with staff at the QRL indicated that periodic outages routinely occur and adversely affect operations.

According to the Green Book, "Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity [which include the efficiency and effectiveness of operations] will be achieved."

Recommendation#3:

We recommend the Director of DPW perform analysis to determine if system outages can be significantly reduced and that a backup process be developed to minimize downtime.

APPENDIX I

Management’s Response

Date: October 31, 2019
To: Josh Pasch, City Auditor

Subject: Management Response to Audit Report:
Biennial Financial Audit of the Department of Public Works – Bureau of Solid Waste for the Fiscal Years Ended June 30, 2018 and 2017

Our responses to the audit report findings and recommendations are as follows:

Recommendation # 1

We recommend the Director of Department of Public Works:

- Review the account to determine the source and accuracy of the fund balance.
- Utilize or remit the funds to the appropriate fund.
- Perform periodic account analysis to appropriately identify and manage the corresponding financial activity.

Management Response/Corrective Action Plan

Agree Disagree

On October 31, 2018, the Bureau of Budget and Management Research (BBMR) requested the Board of Estimates (BOE) to approve the transfer of funds from Service 730 - Public and Private Energy Performance to Service 664 - Waste Re-Use and Disposal. A balance of \$5,541,998.02 in Special Fund 6855 was identified that is a result of fines collected from when the Sanitations Inspection Program was housed within DPW. Of that balance, \$3,383,700 was transferred to Service 664 for Quarantine Road Landfill (QRL) compliance projects, and the remainder of the balance was transferred to the Capital Budget for QRL compliance projects and to the Landfill Development Fund.

Implementation Date

Ongoing

Responsible Personnel

Troy Brogden, Chief Fiscal Officer, 410-396-5182

Recommendation #2

We recommend the Director of DPW:

- Revise the weigh station system to initiate the weighing process when the vehicle crosses the scale. Alternatively, install a counter and reconcile the records against the daily activity log and deposit.
- Implement a policy and procedures that requires management to: (1) obtain and review credit memo reports daily; (2) ensure the accuracy of the corresponding deposit(s); and (3) include the credit memo reports into the deposit validation process.
- Segregate the QRL cash collection, recording and deposit preparation functions. Alternatively an independent secondary or management review can performed and appropriately documented.
- Install camera systems at both locations to oversee operations.

Management Response/Corrective Action Plan

Agree Disagree

DPW has reviewed the Findings Summary and have provided the following responses below to the recommendations.

1. As noted, a cashier has to manually enter a vehicle tag number to initiate vehicle weighing. DPW IT met with a representative from Advanced Scales and was informed that the facility computers are not configured to operate with the scalehouse software system. DPW IT is working with Advance Scales to determine the configuration.
2. To ensure cashiers are appropriately cancelling or clearing transactions, all cancelled or cleared transactions will require approval from a supervisor. Supervisors will be required to complete a form that identifies why a cancellation was required and how much was cancelled. If a supervisor is not available, it is the cashier's responsibility to complete the transaction, take the receipt with the mistake on it and write the word "VOID" along with the cashier's initials and date. The voided receipt is to be placed in the cash drawer for a supervisor or manager to correct at a later time when they are available.

In addition, QRL and NWTS will submit a daily memo credit report to the Bureau Head's Office of Support Services for daily review along with the voided receipts and signed supervisor approved cancellation forms.

Biennial Financial Audit Report on Department of Public Works – Bureau of Solid Waste

In February 2019, the Office of Support Services (Support Services) was created within the Bureau of Solid Waste to provide quality assurance and control services to the Bureau. As a result of this audit, Support Services will begin tracking and monitoring how often transactions are canceled. Key performance indicators (KPIs) will be created based upon the number of cancelled transactions in an effort to reduce cancellations. If an employee is unable to meet the KPI, then a Performance Improvement Plan (PIP) will be implemented according to the Performance Management Policy.

3. Quarantine Road Landfill and Northwest Transfer Station established a new Standard Operating Procedures (SOP) for cash collection and deposit after the last audit occurred in October 2017. As recommended by the last audit, cash collection, preparation of the daily deposit, and validation of the corresponding deposit are not managed by the same employee. At both NWTS and QRL, a cashier is responsible for collecting cash and preparing the daily deposit, while a supervisor reviews the daily deposit. Upon review, the supervisor initials a deposit book to note that the daily deposit value is equal to the cash received, and then provides the monies to an armored courier.
4. DPW has received proposals for security camera installation at NWTS and QRL, and will approve the proposals pending available funding. The proposal will install security cameras within the scale house, outside the scale house, near the entrance, and near the exit of both facilities.

Visitors and employees at Quarantine Road Landfill are required to enter and exit the facility through the front gate, but visitors and employees at Northwest Transfer Station are requested to enter through one entrance and exit through another to prevent traffic or vehicle accidents. It is dangerous to enter and exit through the same road at the Northwest Transfer Station since it will require vehicles to make a three-point turn. To ensure the safety of visitors and employees, the Northwest Transfer Station will continue to ask visitors to enter through the Garrison Avenue entrance and exit onto Reisterstown Road.

Implementation Date

June 30, 2020

Responsible Personnel

John Chalmers, Solid Waste Bureau Head, 410-396-8450

Recommendations #3

We recommend the Director of DPW perform analysis to determine if system outages can be significantly reduced and that a backup process be developed to minimize downtime.

Management Response/Corrective Action Plan

Agree

Disagree

The internet outage experienced at both QRL and NWTS during the month of July 2019 was a result of a server outage which affected the entire department city-wide. However, DPW is aware of intermittent internet connectivity issues at QRL and NWTS and has met with Baltimore City IT (BCIT) to address the issue. Northwest Transfer Station utilizes a router for internet connection whereas Quarantine Road Landfill utilizes a fiber optic network. Unfortunately, routers are less reliable than fiber optic network which results in higher internet outages experienced at NWTS than at QRL. When internet outages are experienced, the scalehouses at each facility will utilize a mobile hotspot to access the internet. BCIT has recommended replacing the router with fiber optic at NWTS, but it will require a capital investment to provide fiber optic internet. Until a fiber optic network can be provided, DPW will prepare a Standard of Operating Procedure (SOP) to ensure a backup process is utilized at these facilities to reduce downtime during internet outages.

Implementation Date

June 30, 2020

Responsible Personnel

John Chalmers, Solid Waste Bureau Head, 410-396-8450