



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### **AUDIT OF ENVIRONMENTAL SERVICES BILLING AND COLLECTION CONTROLS**

#### **Report Highlights**

#### **Why We Did This Audit**

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2017.

#### **What We Found**

We noted that hauler applications are not being reviewed in a timely manner.

**Report Number:** 2017-A-01

**Date Issued:** 01/05/2017

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Environmental Services Billing and Collection Controls. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of Public Works and Maryland Environmental Service's management for their cooperation during the audit.

The audit found that controls are generally adequate to ensure billings and revenue collection are accurate. However, timely review of hauler applications can be improved.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

*Chrystal Brooks, CPA*

Chrystal Brooks  
County Auditor

cc: Mr. Joe Siemek, Director of Public Works  
Mr. Jeff Schoenberger, Division of Environmental Services  
Mr. Hament Patel, MES, Deputy CFO  
Mr. Dave Czawlytko, MES, Project Manager  
Mr. Robert Sandlass, County Treasurer



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### REVIEW RESULTS

We have audited Harford County’s Environmental Services Billing and Collection Controls for the period of 08/01/2015 through 06/30/2016. Maryland Environmental Service (MES) has been contracted to provide the routine operation and maintenance of Harford County’s solid waste management service facilities. Our opinion, based on the evidence obtained, is controls are adequate to ensure billings are correct and collected in a timely manner. However, the review of hauler applications can be improved. The audit approach focused on testing the key controls that address management’s objectives for the process. Conclusions drawn are below.

<b>Risk</b>	<b>Expected Control</b>	<b>Conclusion</b>
Payments are not fully collected for private vehicle use of the landfill	<ul style="list-style-type: none"> <li>• Landfill employees record the correct vehicle and waste type for each vehicle</li> <li>• System calculated fees are collected before vehicles enter the landfill</li> </ul>	Satisfactory  Satisfactory
Payments are not fully collected for hauler use of waste facilities	<ul style="list-style-type: none"> <li>• Hauler’s trucks are weighed upon entry and exit of the facility</li> <li>• Recorded Hauler weights are properly transferred to the billing system for invoicing</li> <li>• MES invoices haulers, and collects and distributes revenue timely and correctly</li> </ul>	Satisfactory  Satisfactory  Satisfactory
Landfill scales are not accurate	<ul style="list-style-type: none"> <li>• Scales undergo routine maintenance to ensure they are operating correctly</li> </ul>	Satisfactory
MES bills the County for invalid operational charges	<ul style="list-style-type: none"> <li>• MES has adequate systems of internal controls to capture its labor, materials and overhead expenses.</li> <li>• DPW management reconciles each invoice to supporting documents</li> </ul>	Satisfactory  Satisfactory
Hauler licenses are issued without verification of qualifications	<ul style="list-style-type: none"> <li>• MES reviews applications prior to submitting to the County for approval.</li> <li>• License applications are reviewed and approved in a timely manner</li> </ul>	Needs improvement Needs improvement
Capital project costs are not properly managed	<ul style="list-style-type: none"> <li>• MES engineers review vendor invoices before Harford County pays</li> </ul>	Satisfactory

Areas for improvement are described in the Findings and Corrective Actions section of this report. Management has been provided an opportunity to respond to this report; the response provided is included in the Findings and Corrective Actions.

## **FINDINGS AND CORRECTIVE ACTIONS**

### **Finding Number: 2017-A-01.01 Hauler Applications**

#### **Hauler applications are not submitted and approved in a timely manner.**

**Analysis:** Hauling companies are required to submit a fully completed application with proof of insurance on an annual basis. These applications are then submitted by MES to the County for review. Once the applications are approved, a license, good for one year, is issued to the vendor. This ensures that all commercial vendors doing transactions at the landfill are properly insured and on record for billing purposes. We reviewed 29 of the hauling companies on MES's approved list for Harford County. Of these, we noted that two did not submit complete applications and or the required supporting documents. We also noted that thirteen of the applications were not approved in a timely manner. Without timely review and approval, the County could be doing business with vendors who are not properly insured or able to pay their bills.

**Management Response:** The Department of Public Works (DPW) and MES agree with the analysis of the audit team that hauler applications were not submitted and approved in a timely manner in some instances. To prevent such occurrences in the future, DPW and MES are developing written procedures for the hauler licensing process which will be completed and implemented by 28 February 2017.

**Expected Completion Date:** 02/28/2017

## **BACKGROUND INFORMATION**

### **PROGRAM DESCRIPTION AND KEY STATISTICS**

The County has contracted MES to provide the majority of the functions involved in the operation and maintenance of the County's solid waste facilities. MES took over these functions in August 2015. MES collects fees from users (trash haulers) and forwards those payments to Harford County each month. MES bills the County, on a monthly basis, for the administrative and operational costs necessary to perform these functions and maintains all supporting records, per the terms of their contract. The estimated costs are included in the operating budget approved by the County Council each year.

Since MES took over in August 2015, they have collected \$7.6 million in revenue and billed for \$4.05 million in costs. MES oversaw approximately 131,400 transactions in fiscal year 2016.

**REVIEW OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of this audit was to confirm that controls are adequate to ensure that customers are billed the correct amount and receivables are collected. The audit also considered the labor and materials costs related to the MES contract.

The audit focused on activity during the period of 08/01/2015 through 06/30/2016. Our audit procedures included interviewing personnel, observation and testing. Specifically, we performed testing to confirm whether the County's processes for reviewing revenue received and billed costs are adequate. We also reviewed the supporting documents for a sample of monthly invoices to confirm the information was appropriate, adequate and maintained. We reviewed MES' cashier and accounting system, Paradigm, to ensure key controls were in place and effective. In addition, we reviewed the processes for private vehicle transaction revenue collection; aging of accounts receivable; capital project invoicing; hauler application review and approval; and Monthly Operations Reports.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Audit Team:**

Chrystal Brooks  
CPA, CIA, CGAP, CISA, CGFM, CRMA  
*County Auditor*

Sarah Self  
*Staff Auditor*