



# CITY OF ST. LOUIS

**REFUSE DIVISION**

**REFUSE (SOLID WASTE) COLLECTION SERVICE FEES**

**PROCESS REVIEW**

**JULY 1, 2011 THROUGH JUNE 30, 2012**

**PROJECT #2013-P06**

**DATE ISSUED: MARCH 6, 2013**

**Prepared By:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

1520 Market St., Suite 3005  
St. Louis, Missouri 63103-2630  
(314) 657-3490  
Fax: (314) 552-7670

DR. KENNETH M. STONE, CPA  
Internal Audit Executive

March 6, 2013

FILE COPY

Nicholas Yung, Commissioner  
Refuse Division  
1900 Hampton Avenue  
St. Louis, MO 63139-2988

RE: Process Review of Refuse (Solid Waste) Collection Service Fees  
(Project #2013-P06)

Dear Mr. Yung:

Enclosed is the Internal Audit Section's process review report of the Refuse (Solid Waste) Collection Service Fees for the period July 1, 2011 through June 30, 2012. A description of the scope of work is included in the report.

Fieldwork was completed on January 28, 2013. Management's responses to the observation and recommendations noted in the report were received on February 28, and have been incorporated into the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

Enclosure

cc: Mr. Todd Waelterman, Director, Street Department  
Mr. Gregory F.X. Daly, Collector of Revenue  
Mr. Curtis B. Skouby, Director, Department of Public Utilities

**CITY OF ST. LOUIS  
REFUSE DIVISION  
REFUSE (SOLID WASTE) COLLECTION SERVICE FEES  
PROCESS REVIEW  
JULY 1, 2011 THROUGH JUNE 30, 2012**

**EXECUTIVE SUMMARY**

**Purpose**

The Refuse Division (Division) – Refuse (Solid Waste) Collection Services Fees (Refuse Fees) was selected for review based on the Internal Audit Section’s annual risk assessment. The purpose was to determine if the Refuse Division effectively and efficiently manages risks to ensure the:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information

**Scope and Methodology**

The review was confined to evaluating internal controls over the Refuse Fees Billings, collections and deposits processes. The review procedures included:

- Inquiries of management and staff at the Refuse Division; Water Division and Collector of Revenue’s Office.
- Observations of relevant processes.
- Reviews for compliance with policies and procedures, as well as applicable laws and regulations.
- Limited tests of controls.
- Follow-up on prior observations and
- Other procedures considered necessary.

**Background**

The Division is responsible for collection and disposal of residential waste for citizens of the City of St. Louis. The Division also coordinates efforts to reduce the amount of waste going to landfills, through recycling, composting, and waste reduction efforts.

The Refuse Collection program is responsible for the collection of household waste from all City residents.

the Refuse Division. Internal Audit Supervisor and Auditor in-Charge represented the Internal Audit Section.

## Conclusion

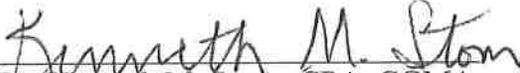
Several operational procedures developed by the Refuse Division were noted as strengths in the Solid Waste Collection operations. These included, but were not limited to, the following:

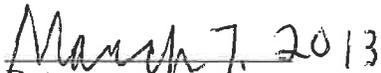
- Procedures for approving dwelling units exempt from the solid waste fee.
- Procedures for verifying private hauling companies providing trash collection services to exempt dwelling units
- Procedures for monitoring exempt dwelling units who contracted with registered private hauling companies
- Manual on frequently asked questions on solid waste services and fee

The opportunity exists, however, for the Refuse Division to improve its control over the financial information pertaining to the Refuse Fees. The following are observations resulting from the review:

1. Opportunity to establish communication with Water Division and Collector of Revenue
2. Opportunity to perform annual cost analysis of the solid waste collection and disposal services

These observations are discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

  
Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
REFUSE DIVISION  
SOLID WASTE SERVICES FEE  
PROCESS REVIEW  
JULY 1, 2011 THROUGH JUNE 30, 2012**

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## OBSERVATIONS

### Status of Prior Observations

The Internal Audit Section (IAS) did not review solid waste services fee previously.

### Summary of Current Observations

Several operational procedures developed by Refuse Division were noted as strengths in the solid waste Services activities. These included, but were not limited to, the following:

- procedures for approving dwelling units exempt from the solid waste fee
- procedures for approving private hauling companies providing trash collection services to exempt dwelling units
- procedures for monitoring exempt dwelling units who contracted with registered private hauling companies
- Manual on frequently asked questions on solid waste services and fee

The opportunity exists, however, for the Refuse Division to improve its control over the financial information pertaining to the Refuse Fees. The following are observations resulting from the review:

1. Opportunity to establish communication with Water Division and Collector of Revenue
2. Opportunity to perform cost analysis of the Solid waste collection and disposal services annually

These observations are discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANGEMENT'S RESPONSES**

### **1. Opportunity To Establish Communication With Water Division And Collector Of Revenue**

The City is authorized by St. Louis City Ordinance #68698 to provide solid waste collection and disposal services for residential dwelling units in the City and charge a solid waste fee of \$11.00 per unit per month for such services. The Refuse Division of Street Department provides these services for all City residential dwelling units except for those that are served by private solid waste contractors.

The City Water Division and the Collector of Revenue respectively perform billings and collections services of the solid waste fee. The Water Division generates reports on solid waste fees billings and delinquencies. The Collector of Revenue generates reports on fees collected, cost of collections and net collections deposited with the Treasurer. However, it was noted that the Refuse Division does not receive any of financial information pertaining to billings and collections of solid waste fee.

Sound management practice requires the Refuse Division to have access to financial information of the refuse collection and disposal operations. This information is required to evaluate its performance and ensure that solid waste services fee charged do not exceed cost of such services as required by City Ordinance #68698.

The Refuse Division has not requested any information pertaining to the billings, collections and, deposits of refuse fees from the Water Division and Collector of Revenue.

Without the financial information of its solid waste collection operations, the Refuse Division may not be able to ensure that the amount of solid waste services fees charged do not exceed the cost of such services.

#### **Recommendation**

It is recommended that the Refuse Division management establish communication with the Water Division and the Collector of Revenue and request them to provide the following financial information:

#### Water Division

Report on the total billings and the number of residential units served for each billing cycle, and monthly or quarterly reports on accounts receivable and aging analysis of the receivables.

Information on these reports may be used to reconcile with the Refuse Division's residential dwelling unit database. Any variances noted investigated and resolved.

## 1. Continued...

Accounts receivable reports and the aging analysis reports may be used to identify solid waste fee delinquencies and their status.

### Collector of Revenue

Reports on daily collections of solid waste fees and the deductions for the cost of collections and annual settlement report on the commission earned, expenses and excess commission.

These reports may be used to verify accuracy and correctness of the solid waste fee collected and deposited along with the collection costs and commissions charged.

### *Management's Response*

*The Refuse Division will establish communication with the Water Division and the Collector of Revenue's office.*

*From the Water Division, we will request the reports generated by the Water Division on the Refuse Fees billing, especially reports on the total billings (in dollars and number of dwelling units). Additionally, we will request reports on Account Receivables and Aging analysis of the receivables.*

*From the Collector of Revenue, we will request a report on collection of Refuse fees and the deduction for the cost of collections. Additionally, we will request the annual settlement report on the commission earned, expenses and excess commission.*

*We plan to complete these requests within the next thirty (30) working days.*

## **2. Opportunity To Perform Cost Analysis Of Solid Waste Collection Services Annually**

The Refuse Division has not performed any recent cost analysis of the solid waste collection services to ensure the solid waste fees charged do not exceed the cost of such services. In July 2010, the Refuse Division performed a comprehensive analysis of the cost of providing solid waste collection services prior to the introduction of the \$11.00 for each residential dwelling unit per month.

According to the St. Louis City Ordinance #68698, Section 3, Refuse Division may increase solid waste services fee on each July 1 (the beginning of the City Fiscal year). However, no such increase shall be effective unless and until the Board of Aldermen approves such fee increase by Resolution or Ordinance; and the amount of solid waste service fee charged shall not exceed the cost.

The Division management has not assigned responsibility for the review of current costs associated with providing solid waste collection and disposal services to all the City residential dwelling units.

The Refuse Division may not be able to determine the adequacy of the total fees collected for the fiscal year do not exceed the cost of these services.

### **Recommendation**

IAS recommends that the Refuse Division perform annually, a comprehensive costs analysis of providing solid waste collection and disposal services.

### ***Management's Response***

*We recently completed cost analysis for FY 10, FY 11, FY 12 and FY 13. Copies of that analysis are enclosed. We have complied with the second recommendation in the report.*