



County of Franklin Solid Waste Management Authority

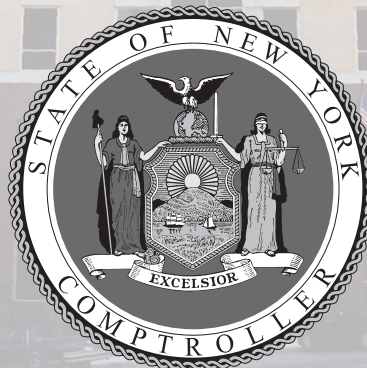
Solid Waste and Recycling Charges and Host Community Fees

Report of Examination

Period Covered:

July 1, 2015 – August 31, 2016

2016M-418



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2017

Dear Authority Officials:

A top priority of the Office of the State Comptroller is to help authority officials manage their authorities efficiently and effectively and, by so doing, provide accountability for dollars spent to support authority operations. The Comptroller oversees the fiscal affairs of authorities statewide, as well as authorities' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving authority operations and Board governance. Audits also can identify strategies to reduce authority costs and to strengthen controls intended to safeguard authority assets.

Following is a report of our audit of the County of Franklin Solid Waste Management Authority, entitled Solid Waste and Recycling Charges and Host Community Fees. This audit was conducted pursuant to the Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution.

This audit's results and recommendations are resources for authority officials to use in effectively managing operations and in meeting the expectations of taxpayers. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The County of Franklin Solid Waste Management Authority (Authority) is an independent public benefit corporation. The Authority was established in 1988 under the New York State Public Authorities Law to, among other things, plan, develop and construct solid waste management facilities and contract with Franklin County (County), other municipalities, state agencies, public corporations or individuals within or outside the County, for the purpose of receiving, treating and disposing of solid waste. The Authority's solid waste management system includes a regional landfill located in the Towns of Constable and Westville and three transfer stations located in Malone, Lake Clear and Tupper Lake.

The Authority's Executive Director (Director) is responsible, along with other administrative staff, for the Authority's day-to-day management under the direction of a Board of Directors (Board). The Authority's budgeted operating expenditures for the 2016-17 fiscal year were approximately \$6.1 million, funded primarily by solid waste and recycling charges.

Scope and Objectives

The objectives of our audit were to evaluate the Authority's procedures over solid waste and recycling charges and determine if host community fees were properly disbursed for the period July 1, 2015 through August 31, 2016. We extended our scope period back to July 1, 2014 to review host community fees. Our audit addressed the following related questions:

- Did Authority officials establish adequate procedures to ensure customers were accurately charged solid waste and recycling charges and the corresponding collections were deposited in a timely manner and intact?
- Did the Authority disburse host community fees to the Towns of Constable and Westville in accordance with the host community agreement?

Audit Results

Authority officials had not established adequate procedures for solid waste and recycling charges to ensure customers were accurately charged solid waste and recycling charges and the corresponding amounts collected were deposited in a timely manner and intact. Although the Board adopted a cash handling procedures policy to provide guidance for employees involved in the billing and collection of solid waste and recycling charges, the policy was inadequate because it was not comprehensive and the procedures included in the policy were not always adhered to.

In addition, 50 solid waste and recycling rates that were charged to customers during our audit period were negotiated by the Director without an independent review and Board approval. Consequently, customers were charged varying rates for disposal of the same type of waste. We also found that one of the Board adopted rates was not accurately setup in the computerized cash receipts system, resulting in lost revenues to the Authority of \$17,413.

Authority officials also did not generate and review voided-receipt and adjustment reports from the computerized systems or adequately document the reasons for these transactions. However, 13 of the 25 adjustments totaling \$9,736 that we reviewed did not appear to be for appropriate purposes. For example, nine adjustments totaling \$4,097 were made to reduce two customers' accounts based on verbal agreements that the Director had with these customers to reward them with discounts for their loyalty through the continued disposal of sludge with the Authority.

We also found that for 54 of 265 daily collections reviewed (20 percent) the amount of collections recorded did not agree with the corresponding deposit made. For example, the collections recorded on June 27, 2016 at the Malone transfer station totaled \$3,705, but a corresponding deposit was never reflected on the Authority's bank account. Although at the time of our audit, the Director told us that the bank had agreed to reimburse the Authority \$2,271 for the amount of cash indicated on the corresponding deposit slip but not for the remaining \$1,434 in missing checks. The Board's and Director's failure to ensure that employees adhered to established procedures and lack of oversight resulted in lost revenue and discrepancies occurring that Authority officials did not detect in a timely manner.

Further, Authority officials did not disburse host community fees to the Towns of Constable and Westville in accordance with the host community agreement. Based on the agreement, officials underpaid \$19,585 in host community fees to both these towns for waste received during the 2014-15 and 2015-16 fiscal years, a combined underpayment total of \$39,170. In addition, because the agreement has been in place since March 2009, if similar miscalculations were performed in previous fiscal years these Towns are likely entitled to additional host community fees.

Comments of Authority Officials

The results of our audit and recommendations have been discussed with Authority officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Authority officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Introduction

Background

The County of Franklin Solid Waste Management Authority (Authority) is an independent public benefit corporation. The Authority was established in 1988 under the New York State Public Authorities Law to, among other things, plan, develop and construct solid waste management facilities and contract with Franklin County (County), other municipalities, state agencies, public corporations or individuals within or outside the County, for the purpose of receiving, treating and disposing of solid waste.

In May 1993, the Authority and County entered into a solid waste management services agreement. This agreement obligated the County to deliver, or cause to be delivered, all solid waste produced within its boundaries to the Authority and to make certain payments to the Authority to ensure its solvency. In return, the Authority was to provide solid waste management services within the County. Conversely, the agreement obligated the Authority to accept and dispose of all solid waste delivered to its solid waste management system by or on behalf of the County. The Authority's solid waste management system includes a regional landfill (landfill) located in the Towns of Constable and Westville and three transfer stations located in Malone, Lake Clear and Tupper Lake.

The Authority's Executive Director (Director) is responsible, along with other administrative staff, for the Authority's day-to-day management under the direction of a Board of Directors (Board). The Board is composed of seven members who are appointed to three-year terms by the County Legislature. The Authority's budgeted operating expenditures for the 2016-17 fiscal year were approximately \$6.1 million, funded primarily by solid waste and recycling charges. The Authority recorded revenues for solid waste and recycling charges of approximately \$7 million during our audit period.

Objectives

The objectives of our audit were to evaluate the Authority's procedures over solid waste and recycling charges and determine if host community fees were properly disbursed. Our audit addressed the following related questions:

- Did Authority officials establish adequate procedures to ensure customers were accurately charged solid waste and recycling charges and the corresponding collections were deposited in a timely manner and intact?

- Did the Authority disburse host community fees to the Towns of Constable and Westville in accordance with the host community agreement?

Scope and Methodology

We examined the Authority's procedures and financial transactions related to solid waste and recycling charges and host community fee disbursements for the period July 1, 2015 through August 31, 2016. We extended our scope period back to July 1, 2014 to review host community fees.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of Authority Officials and Corrective Action

The results of our audit and recommendations have been discussed with Authority officials and their comments, which appear in Appendix A, have been considered in preparing this report. Authority officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Good management practices dictate that the Board has the responsibility to initiate corrective action. As such, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Solid Waste and Recycling Charges

A well-designed system for solid waste and recycling charges requires the Board to establish, implement and communicate policies and procedures to ensure that customers are properly charged and collections are properly recorded, deposited and accounted for. The Board may authorize the Director to establish rates for solid waste and recycling charges but the Board is ultimately responsible for reviewing and approving these rates and ensuring that customers are charged accordingly.

When voiding receipts or billing adjustments are necessary (within a computerized system), the Board must establish written procedures to address adequate approval and documentation processes. A designated Authority official must approve each voided receipt and billing adjustment and adequately document its justification, amount and approval date. Good business practices further dictate that cash and checks be deposited at least daily, or as soon as possible, to prevent loss or misuse. Authority officials should also ensure that collections are deposited intact (in the same form as received) to reduce the risk of fraud.

Authority employees collected solid waste and recycling charges at the regional landfill and three transfer stations. Each of the four locations was equipped with a scale connected to the computerized cash receipts system (system). With limited exceptions,¹ customers were charged a fee based on the weight of the waste or recyclables. Customers had the option of either paying for the corresponding charges at the time of disposal or having the charges applied to a customer account with payment due within 30 days without penalty. Charges to customer accounts were recorded in the system and imported into the Authority's financial software by the landfill supervisor at the landfill on the next business day.

Non-customer account payments were recorded in the system and the customer was issued a sequentially numbered receipt from the system. For customer account payments that were received the customer was issued a manual press-numbered receipt and the corresponding payment was recorded in the customer's account in the financial software by the landfill supervisor on the next business day. At the

¹ Residential customers that paid \$10 for an annual recycling permit were not charged for recyclables other than scrap metal and yard waste. In addition, customers were charged a flat rate for the disposal of certain items regardless of the item's weight (e.g., \$30 to dispose of a refrigerator).

conclusion of each business day, cash out procedures were performed at the four locations and then the collections were deposited.

Authority officials had not established adequate procedures over solid waste and recycling charges to ensure customers were accurately charged and the corresponding amounts collected were deposited in a timely manner and intact. Although the Board adopted a cash handling procedures policy (policy) to provide guidance for employees involved in the billing and collection of solid waste and recycling charges, the policy was inadequate because it was not comprehensive and the procedures included were not always adhered to.

In addition, 50 solid waste and recycling rates that were charged to customers during our audit period were negotiated by the Director without an independent review and Board approval. Consequently, customers were charged varying rates for disposal of the same type of waste. We also found that one of the Board adopted rates was not accurately setup in the system. As a result, the Authority lost revenues of \$17,413.

Authority officials did not generate and review voided-receipt and adjustment reports or adequately document the reasons for these transactions. We found that for 54 of the 265 daily collections reviewed (20 percent) the amount of collections recorded did not agree with the corresponding deposit made. For example, the collections recorded on June 27, 2016 at the Malone transfer station totaled \$3,705, but a corresponding deposit was never reflected on the Authority's bank account. The Board's and Director's failure to ensure that employees adhered to established procedures and lack of oversight resulted in lost revenue and discrepancies occurring that Authority officials did not detect in a timely manner.

Policy and Procedures – Although the Board adopted a policy to provide guidance for employees involved in the billing and collection of solid waste and recycling charges, the policy was inadequate because it was not comprehensive. For example, the policy did not include procedures to address the approval and documentation processes for voided receipts and billing adjustments within the system and financial software. In addition, the procedures included in the policy were not always adhered to during our audit period. For example, although the policy required that a triplicate manual press-numbered receipt be issued for all customer account payments received, we found that manual receipts were not issued for all of the payments we reviewed.

Although the policy required two employees be involved in the cash-out procedure at the end of each business day (required to be

documented by both employees signing a cash-out report), we found numerous instances where only one employee signed this report. The policy also stipulated that the scale operator/typist at the landfill was to verify (on the next business day) that the amount shown on the cash-out reports agreed with the amount on the corresponding duplicate deposit slips and the corresponding deposits were made at the bank (within 36 hours).

If the corresponding deposits were not made in a timely manner, the policy required the scale operator/typist to notify the Secretary to the Board (Secretary) for an appropriate investigation to begin. However, these procedures were not always adhered to. As a result, discrepancies occurred that were not detected by Authority officials in a timely manner (See Deposits).

Rates – In September 2007, the Board adopted regulations for the Authority including rates for in-County residential and commercial municipal solid waste and construction debris, in- and out-of-County asbestos, ash, recyclables and certain specific items (e.g., appliances and tires). In addition, in February 2014 the Board adopted a resolution to increase the rates for in-County residential and commercial municipal solid waste and construction debris.

The Board-adopted regulations also authorized the Director to establish rates for out-of-County residential and commercial municipal solid waste and construction debris. The regulations further authorized the Director to establish rates for beneficial use determination (BUD) materials² (other than ash) at his discretion but specified that the rate charged for BUD materials should not be less than \$16 or more than \$45 per ton.

We reviewed the rates charged to customers during our audit period and found that 64 different rates were charged (excluding the rates charged for in-County residential and commercial municipal solid waste and construction debris). However, only 14 of these rates were approved by the Board. Although the remaining 50 rates were established by the Director as authorized by the regulations, we found that none of these rates were subsequently reviewed and approved by the Board.

The Director told us that he considered multiple factors when determining a rate to be charged at his discretion. For example, he told us that he established reduced rates for the disposal of out-of-County waste due to the increased costs for these customers to haul

² Some examples of BUDs are unadulterated wood combustion bottom ash, fly ash, or combined ash when used as a soil amendment or fertilizer and uncontaminated soil which has been excavated as part of a construction project.

waste to the landfill. The Director also told us that he used this and similar pricing strategies so the Authority would receive additional waste and realize additional revenue.

Consequently, during our audit period, the rates charged for out-of-County municipal solid waste ranged from \$42 to \$70 per ton and for out-of-County construction debris the rates charged ranged from approximately \$32 to \$72 per ton. Out-of-County customers were charged these lower rates even though the Board-approved base rates for in-County residential and commercial municipal solid waste and construction debris weighing between one and two tons was \$110 per ton and weighing more than two tons was \$105 per ton.³ The Director's authority to negotiate individual rates with customers without an independent review and Board approval increases the risk that negotiated rates may be subject to favoritism.

We compared the Board-adopted rates to the rates setup in the system and found that one rate did not agree with the Board-adopted rates. In February 2014, the Board adopted a rate of \$14 for in-County residential and commercial municipal solid waste and construction debris weighing between 61 and 100 pounds. However, we found that a rate of \$13 was setup in the system. Although this difference was only \$1, the Authority recorded 17,413 transactions for in-County residential and commercial municipal solid waste and construction debris weighing between 61 and 100 pounds during our audit period, resulting in lost revenue of \$17,413.

Voided Receipts – Authority employees who collect payments were able to void receipts in the system without any automated controls requiring authorization. As a result, there was a risk that employees collecting payments could void the original receipt (issued for payment) and not issue another receipt or issue another receipt for a lesser amount and misappropriate money. Authority officials would not be able to detect such transactions because they did not generate and review voided-receipt reports that were available from the system. In addition, there was no documentation indicating that any voided receipts were approved during our audit period.

We reviewed 25 receipts totaling \$4,372 of the 408 receipts totaling \$49,276 that were voided during our audit period to determine whether they were voided for appropriate purposes. Ten receipts totaling \$3,176 were voided for appropriate purposes, such as to correct

³ The Board also approved discounted rates for in-County commercial municipal solid waste and construction debris that was disposed of at the landfill. For example, the rate for waste that was delivered from the northern end of the County weighing more than two tons was \$90 per ton.

recording errors included on the original receipt. However, due to a lack of supporting documentation, we were unable to determine if the remaining 15 receipts totaling \$1,196 (12 totaling \$778 voided at the Town of Tupper Lake transfer station, two totaling \$393 voided at the Town of Lake Clear transfer station and one totaling \$25 voided at the Town of Malone transfer station) were for appropriate purposes. Two receipts totaling \$26 were voided but another receipt was never issued for these transactions.

Although a new receipt was issued for each of the remaining 13 voided receipts totaling \$1,170 (10 voided receipts totaling \$715 were for customers who made payment at the time of disposal and three totaling \$455 were for customers who had charges applied to their account), due to insufficient support for collections we were unable to determine the type of payments received. We also found that all the new receipts issued for these voids were for lesser amounts than the original receipts and that the employees who voided these receipts did not include an adequate explanation for these voids. The new receipts issued totaled \$406 or \$764 less than the original receipts issued.

For a majority of these voided receipts, the original receipt was issued based on the weight determined by the system, but the new receipts issued were for smaller amounts based on lesser weights that the scale operator manually entered into the system. For example on July 5, 2016, an original receipt for \$173 was issued based on the weight determined by the system. However, this receipt was voided and a new receipt was issued for \$60 or \$113 less, because the scale operator manually recorded a lesser weight in the system.

The landfill supervisor told us that scale operators need to be able to void receipts within the system to correct recording errors. However, when Authority officials allowed employees to void receipts and someone independent of the collection process did not review voided-receipt reports, the Authority was at an increased risk for collections being misappropriated.

Customer Account Adjustments – The landfill supervisor was responsible for making adjustments to customer accounts within the financial software since she was hired in September 2015. Before that time, the Secretary performed these duties. As a result, in the scale operator/typist's absence, these two employees had the ability to collect payments and adjust customer accounts (charges due) in the amount of all or part of the payments received and misappropriate money in the same amount.

This risk was further increased because, although the system could generate reports indicating the adjustments made to customer

accounts, Authority officials did not generate and review these reports. In addition, there was no documentation indicating that any adjustments were approved during our audit period.

We reviewed 20 adjustments totaling \$10,584 of the 107 adjustments totaling \$30,886 that were made to customer accounts during our audit period to determine whether they were for appropriate purposes. Seven of these adjustments totaling \$848 were for appropriate purposes. However, the remaining 13 adjustments totaling \$9,736 did not appear to be for appropriate purposes. For example, seven adjustments totaling \$3,821 were made to reduce one customer's account balance by \$5 per ton and two adjustments totaling \$276 were made to reduce another customer's account balance by \$7 per ton for sludge that these customers disposed of.

The Director told us that these adjustments were made before monthly invoices were generated and sent to these customers based on verbal agreements that the Director had with these customers to reward them with discounts for their loyalty through the continued disposal of sludge with the Authority.

In addition, an adjustment totaling \$5,539 was made to reduce another customer's account balance by \$20 per ton for asbestos that they disposed of at the Authority. The Director told us that this adjustment was made because the customer was originally charged \$100 per ton instead of the \$80 per ton that was verbally agreed to between the customer and the Director before the asbestos was disposed of. However, because the \$80 per ton rate was not Board-approved and verbally agreed to, we were unable to determine whether this adjustment was for an appropriate purpose.

Authority officials' failure to have someone independent of the billing and collection process approve and document the reason for customer account adjustments increases the risk that customers could receive adjustments to which they are not entitled. In addition, adjustments may not be consistently applied to all customers or may be made to customer accounts to conceal the misappropriation of funds.

Deposits – We reviewed three months of recorded collections at the landfill and three transfer stations, which included 265 daily collections (77 at the landfill, 62 at the Town of Lake Clear transfer station, 63 at the Town of Tupper Lake transfer station and 63 at the Town of Malone transfer station), for charges totaling approximately \$1.54 million during our audit period to determine whether the amounts recorded agreed with the corresponding deposits and whether these amounts were deposited in a timely manner and intact.

We found that for 54 daily collections (20 percent) the amount of collections recorded did not agree with the corresponding bank deposit. These daily variances ranged from the recorded collections exceeding one bank deposit by \$3,705 to being less than the deposit by \$495. For example, on June 27, 2016, we found that the recorded collections at the Malone transfer station totaled \$3,705, but a corresponding deposit was never posted to the Authority's bank account.

The Director told us that the employee responsible for the deposit placed the collections in the bank's night deposit drop box. However, the bank had no record of receiving the deposit. As of the time of our audit, the Director told us that the bank had agreed to reimburse the Authority \$2,271 for the amount of cash indicated on the corresponding deposit slip but not for the remaining \$1,434 in missing checks. Authority officials were unaware of this discrepancy until July 6, 2016 (nine days after the date of collection) because they were not verifying that all corresponding deposits were made at the bank within 36 hours, as required by the Board-adopted policy.

For the remaining 53 daily collections, the variances were caused by numerous discrepancies and recording errors. For example, on July 21, 2015 the recorded collections at the landfill totaled \$774 but the corresponding deposit totaled \$304, or \$470 less. This occurred because the scale operator/typist allowed a customer to dispose of their waste and recorded a receipt for a \$470 payment from a customer in the system, although the customer did not make a payment that day. The customer actually paid this amount two days later (on July 23, 2015), which Authority employees deposited in a timely manner. As a result, the deposit for that day exceeded the recorded collections. Although the net dollar amount of variances for these daily collections were minor, there was no indication that any of these variances were questioned or reviewed by Authority officials.

While we found that all collections we reviewed were deposited in a timely manner, we were unable to determine whether any of these collections received at the landfill or Tupper Lake transfer station were deposited intact because the type of payment received was not recorded in the system at these locations.

In addition, for 38 daily collections at the Lake Clear transfer station (61 percent) and 28 daily collections at the Malone transfer station (44 percent) the amounts collected appeared not to have been deposited intact, based on our comparison of the detailed deposit tickets with the collection records. These discrepancies ranged from \$154 less in cash being deposited than the amount recorded in the system to \$50 more in cash being deposited than the amount recorded in the system.

Due to the insufficient support for collections, we were unable to determine the cause for these discrepancies. However, we found that these discrepancies occurred mainly on the days the total deposit did not agree with the corresponding recorded collections.

Unless the Board and Director improve their oversight and Authority employees perform their duties in accordance with the Board policy, there is an increased likelihood that additional errors and irregularities could occur and remain undetected and that collections could be lost or misused.

Recommendations

The Board and Director should:

1. Amend the Board-adopted cash handling procedures policy to include additional guidance over solid waste and recycling charges and ensure that procedures are performed as intended by the policy.
2. Ensure that the rates for solid waste and recycling charges setup in the system agree with the Board adopted rates.

The Board should:

3. Review and approve all rates for solid waste and recycling charges, including rates that are established at the Director's discretion.
4. Designate an individual independent of the billing and collection process to generate and review voided-receipt and customer account adjustment reports to verify that the corresponding voided receipts and adjustments are for appropriate purposes and adequately document.

Authority officials should:

5. Routinely compare the amounts collected as recorded in the system and on manual receipts with the amounts deposited and investigate and resolve any discrepancies.
6. Ensure that the type of each payment is accurately recorded and collections are deposited intact.

Host Community Fees

In March 2009, the Authority and Towns of Constable and Westville entered into a host community agreement (agreement). The agreement requires the Authority to disburse host community fees to each town on a quarterly basis. These fees are intended to compensate the towns for having the landfill located within their towns including, but not limited to, the loss of real property tax revenue, negative impact on total town assessments, damage to town roads, costs of fire prevention, visual impact and general quality of life issues. In accordance with the agreement, the quarterly payments to the towns are to be based on the total amount (in tons) of all municipal solid waste (waste) received and all materials other than waste received for which a tipping fee of \$40 per ton or more was charged (excluding recyclables) during the preceding three months, multiplied by established rates per ton.

The Authority did not disburse host community fees to the Towns of Constable and Westville in accordance with the agreement. We reviewed all 16 disbursements for host community fees totaling \$76,548 made to these towns (eight disbursements totaling \$38,274 to each town) based on the waste received during the 2014-15 and 2015-16 fiscal years. We found that none of these disbursements were made in accordance with the agreement. Consequently, each town was underpaid by \$19,585 (\$10,797 for the 2014-15 fiscal year and \$8,788 for the 2015-16 fiscal year). As a result, these towns were underpaid a combined total of \$39,170 for host community fees to which they were entitled.

These underpayments occurred because Authority officials did not establish adequate procedures to ensure host community fees were calculated in accordance with the agreement. On a quarterly basis, the Secretary generated a report from the Authority's system, which indicated the total tonnage of all waste received during the preceding three months and then multiplied this amount by \$.50 to determine the corresponding payment to be made to each town.

While these reports included waste, they did not include any materials received (other than waste) for which a tipping fee of \$40 per ton or more was charged in accordance with the agreement, which contributed to the underpayments. In addition, the Secretary did not consider the accumulated tonnage for the fiscal year and corresponding increased rates per ton included in the agreement when preparing her calculation.

The rate per ton in the agreement increases based on the total accumulated tonnage received during the fiscal year. For example, the rate per ton increases from \$.50 to \$.75 once the applicable accumulated tonnage for the fiscal year exceeds 50,000 tons. Instead, the Secretary used a rate of \$.50 per ton, which also contributed to the underpayments. The Board Chairman and the Director reviewed the Secretary's calculation of host community fees before the corresponding disbursements were made to the towns.

However, because they did not compare the calculations to the terms of the agreement, these underpayments were not detected. In addition, because this agreement has been in place since March 2009, if similar miscalculations were performed in previous fiscal years the towns are likely entitled to additional host community fees.

Recommendations

The Board Chairman and Director should:

7. Compare the Secretary's calculation of host community fees to the agreement before the corresponding disbursements are made to ensure that the Authority disburses host community fees to the Towns of Constable and Westville in accordance with the agreement.

The Board should:

8. Review financial records related to host community fees and consult with the Authority's attorney with respect to taking action to disburse any amounts that were not properly paid to the Towns of Constable and Westville in accordance with the agreement.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

The Authority Officials' response to this audit can be found on the following pages.



County of Franklin Solid Waste Management Authority

828 County Route 20 • Constable, New York 12926
cfswma@westelcom.com

Telephone: (518) 483-8270
Fax: (518) 483-4880

RESPONSE OF CFSWMA TO STATE AUDIT:

	Issue	Response of CFSWMA
1	Disposal Rates Approval Procedures: Out of county rates are not being reviewed by Board or anyone other than ED.	2007 and 2014 resolutions adopt rates for most solid waste and gives the Executive Director (ED) authority to set rates for out of county waste, construction debris and BUD materials. The Authority's proposal is to update the resolutions and to eliminate authorization to set rates without prior consent of the Board or an authorized representative of the Board. In addition it is proposed to create a monthly report for the Board identifying the out-of-County payors and the rates being charged to them and an explanation as to how the rates were arrived at.
2	Incorrect Rates Charged: One rate for waste was set up at \$13 per ton when it should have been set at \$14.00 per ton pursuant to the authorized Board resolution, resulting in a loss over the period of the audit of about \$17,000.00	This was a clerical error. The issue has been fixed for future transactions.
3	Voided Receipts: Any employee working the scales can void a receipt. Therefore a replacement receipt might not be issued or might be issued for a smaller amount.	It is proposed that the voided receipts will be reviewed by the ED and the Secretary or Treasurer on a weekly basis. A voided slip report from the accounting program will be presented to the Board on a monthly basis for its review and approval.
4	Customer Account Adjustments: The Secretary has the power to adjust customer accounts and, under some circumstances, may also be collecting payments from these accounts.	It is proposed that the Secretary will print a customer account adjustment report from the accounting program at least monthly and provide it to the Board for its approval.

5	Seven Customer Account Adjustments: Seven adjustments in the amount of \$3,821.00, were made to reduce one customer's charge by \$5.00 per ton for sludge.	The Executive Director explains that these adjustments were made to comply with an oral agreement that the ED made with the customer before delivery because of a volume discount.
6	Two Adjustments in the total amount of \$276, were made to reduce one customer's charge by \$7.00 per ton for sludge.	The Executive Director explains that these adjustments were made to comply with an oral agreement that the ED made with the customer before delivery because of a volume discount.
7	One Adjustment was made for a customer, in the amount of \$5,539.00, to reduce the fee by \$20.00 per ton for asbestos.	This rate had been previously approved by the Board for a special demolition project. The rate was not yet added to the material rate table when the job began. After the job began the Board approved rate was added to the rate table. The appropriate credit was then issued to the customer. Staff will be more proactive on adjusting the material rate table.
8	Bank Deposit Errors: There is a high rate of errors when comparing amounts reported as being collected to amounts deposited. The error rate is about 20%. Deposit records of the amount of cash and checks being deposited are at variance with the amount of cash and checks being received by the bank. Deposits are "not intact." Deposits from Tupper Lake and Main Office do not clearly show how much of deposit was cash and how much checks.	It is proposed to create daily deposit reports to identify the person making the deposit and the amount of the error. It is proposed to institute procedures to show how much of each deposit is cash and how much are checks. Copies of deposited checks shall be retained.
9	Deposit Error June 27, 2016: A deposit from the Malone Transfer Station to Community Bank of \$3,705 was never shown as being deposited.	Bank cameras show the employee at the drive in ATM apparently making the deposit. There is no explanation as to what happened to the deposit. The bank has reimbursed the Authority for the amount of the deposit that was cash: \$2,271. The bank will not reimburse for missing checks. The Authority will ensure that it retains copies of all deposited checks.
10	Deposit Records do not include copies of checks or notes detailing checks except for the last name of the payor. This makes it difficult or impossible to get replacement checks if a check goes missing.	The Authority will install copiers at each transfer station if they are not already there. The Authority will ensure that it retains a copy of the deposit slip and of each check.

11	Missing Deposit Not Noticed: The missing deposit of June 27, 2016 was not noticed until July 6, 2016, nine days later.	Central office staff will compare deposit slip information with on-line banking information daily. This change is in place. All checks and deposit slips will be copied.
12	Host Community Benefits: Host Community Fees were improperly calculated.	The amounts paid to Westville and Constable were miscalculated due to an error in interpreting the contract. An investigation was performed to determine the total amount due to Westville and Constable. Such amounts have been paid in full. A new spreadsheet showing the calculation of the amount due to each town has been devised and will be provided to each town when quarterly payments are made.

Dated: November 22, 2017

County of Solid Waste Management Authority

by  George Eades, Executive Director

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objectives and obtain valid evidence, we performed the following procedures:

- We interviewed Authority officials and employees. We reviewed Authority policies, Board resolutions and various financial records and reports related to solid waste and recycling charges to gain an understanding of the Authority's procedures over the billing and collection of these charges and documented any associated effects of deficiencies found in those procedures.
- We reviewed the rates charged to customers during our audit period to determine whether they were reviewed and Board approved.
- We compared the Board adopted rates to the rates setup in the system during our audit period to determine whether they were in agreement. For any rates that were not in agreement, we also reviewed the transactions during our audit period related to those rates to calculate the corresponding amount of additional revenue received and/or lost by the Authority.
- We reviewed a random sample of 25 receipts that were voided during our audit period to determine whether they were voided for appropriate purposes. We used a computerized random number generator to select 25 voided receipts from a voided-receipt report containing all receipts that were voided within the system during our audit period.
- We reviewed a random sample of 20 adjustments that were made to customer accounts during our audit period to determine whether they were for appropriate purposes. We used a computerized random number generator to select 20 adjustments from an adjustment report containing all adjustments that were made to customer accounts during our audit period.
- We reviewed a random sample of three months of recorded collections at the landfill and three transfer stations for solid waste and recycling charges during our audit period (July and September 2015 and June 2016) to determine whether the amounts recorded agreed with the corresponding deposits and whether these amounts were deposited in a timely manner and intact.
- We interviewed Authority officials and employees and reviewed the agreement and various financial records and reports related to host community fees to gain an understanding of the Authority's procedures related to the calculation and disbursement of those fees and documented any associated effects of deficiencies in those procedures.
- We reviewed all disbursements for host community fees that were made by the Authority to the Towns of Constable and Westville based on the waste received during the 2014-15 and 2015-16 fiscal years to determine if the Authority disbursed host community fees to the towns in accordance with the agreement.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate 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.

APPENDIX C

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