

June 22, 1998

Internal Audit Report 98-11
Accounts Receivable
Solid Waste Services

Introduction. Solid Waste Services (SWS) provides collection and disposal of solid waste within the Municipality of Anchorage (Municipality). Anchorage Municipal Code (AMC) Chapters 26.70 and 26.80 regulate solid waste storage, collection, processing, recovery and disposal of solid waste. Every person residing in or occupying a building within the service area of the former City of Anchorage is required to use the system of solid waste collection and disposal provided by the Municipality. All solid waste generated within the Municipality is required to be disposed of at a state-permitted solid waste processing and disposal facility located within the Municipality. These facilities are located at the Anchorage Regional Landfill, the Central Transfer Station, and the Girdwood Transfer station. Revenue in 1997 totaled \$19,879,372. This included \$5,786,723 of revenue for collection services and \$14,092,649 for disposal. User fees are billed by SWS through a computerized accounts receivable and billing system known as the Utility Billing system. In addition, a database system known as the Weigh 3000 system is used to determine load weights and the corresponding fees for solid waste disposal. This data is downloaded to the Utility Billing system for billing purposes.

Scope. The objectives of this audit were to determine the adequacy of internal controls over accounts receivable and whether accounts receivable were being billed in an accurate and timely manner. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of April through May 1998. The audit was performed in accordance with the 1998 Audit Plan.

Overall Evaluation. Internal controls over accounts receivable were good and accounts receivable were maintained in an accurate and timely manner. Rates for collection services were billed in the amounts and time frame prescribed by the AMC and adjustments to customers' accounts were properly supported and authorized. In addition, collection procedures for bad debt collection were proper. However, we found that some of the fees charged were not always consistent with or included in the AMC.

FINDING AND RECOMMENDATION

1. Disposal Rates and Fees Charged Were Not Always Consistent With or Included in the Anchorage Municipal Code.

a. Finding. Some of the disposal rates and fees charged and included in SWS's rate schedule were not always consistent with or included in the AMC. Specifically, the following were noted:

- 1) A \$5.00 tarp fee was not included in the user charges authorized by the AMC.
- 2) A \$20 fee for refrigerant handling was charged for each refrigerator disposed of at the transfer stations or landfill. This fee was not included in the user charges authorized by the AMC.
- 3) SWS doubled the rate for special handling of waste generated outside the boundaries of the Municipality. While the AMC authorizes the Municipality to double the rate for disposal of solid waste generated outside the boundaries of the Municipality (AMC26.80.050 A. 7), it does not appear to apply to the special handling rate (AMC 26.80.050 A. 9).

- 4) A \$150 fee was charged when hazardous waste was picked up by SWS contract personnel at a customer's site. This fee was not included in the hazardous waste price sheet authorized by the AMC.

AMC 26.80.020 "Disposal Rates" requires that the Assembly shall, by ordinance, establish charges for solid waste disposal services.

- b. **Recommendation.** Fees charged for solid waste disposal services and included in SWS's rate schedule should be established by ordinance and approved by the Assembly.
- c. **Management Comments.** Management stated, "Solid Waste Services has reviewed the internal audit of Solid Waste Services Accounts Receivable System and concurs with the four findings concerning fees charged for services which are not currently part of the Anchorage Municipal Code. Solid Waste Services will prepare a draft ordinance which will propose adding the \$5.00 fee charged for tarps; the \$20 fee charged for draining CFC's from refrigerators and other appliances; and the \$150 fee charged for picking up hazardous waste from a customer's site. The ordinance will be forwarded for approval.

"With respect to the finding concerning the doubling of the special handling rate charged for material originating outside of the Municipality, Solid Waste Services has corrected the computer program to charge only the special handling rate as specified in AMC 26.80.050 A.9. Doubling of the disposal rate charged for waste generated outside the boundaries of the Municipality as authorized by AMC 26.80.050 A.7 will remain unchanged."

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- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on May 19, 1998.

Audit Staff:
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