
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Solid Waste Management Department
Pay as You Throw Program

Project No. AU17-026

November 15, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Solid Waste Management Department (SWMD), specifically the Pay as You Throw Program (PAYT). The audit objectives, conclusions, and recommendations follow:

Determine if the Pay as You Throw Program is operating effectively and revenues are reported accurately.

The Pay as You Throw Program is operating effectively and customers are being charged solid waste fees at the proper PAYT rate. We determined that there is a process in place to consolidate monthly customer billing data with modifications made between billing cycles. In addition, there is a process in place to review monthly SWMD revenues remitted to the City by CPS Energy (CPS). We also determined that solid waste customers are billed appropriately and accurately.

During the audit, we identified a small percentage of accounts where there were discrepancies between SWMD cart records and CPS billing data. We also found a small percentage of records where either the fee billed to the customer did not match the customer's cart size or where the customer was not billed at all. These discrepancies were brought to the attention of SWMD management.

We make no recommendations to SWMD management; consequently, no responses are required. Management's acknowledgement of these results is in Appendix B on page 5.

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Background

The Solid Waste Management Department (SWMD) serves San Antonio customers by providing them with programs and services that effectively and efficiently manage solid waste and items for recycle. Annual revenues for the last three fiscal years (FY) for these services are shown below.

Total Gross Revenues for Solid Waste Services FY15-17	
FY2015	\$101,454,718
FY2016	\$103,024,198
FY2017	\$107,959,072

As a part of the SWMD's Recycling and Resource Recovery Plan, The *Pay as You Throw* (PAYT) program was implemented in October 2015 and the rollout was completed in April 2017. The objective of the program is to incentivize customers to recycle more by using smaller garbage carts. This program provides solid waste customers with a blue recycling cart, a green organics cart, and a choice between three brown garbage carts (small, medium, or large) based on the amount of garbage they throw away; the larger the brown cart, the greater the monthly fee for solid waste service. Prior to implementation of the PAYT program, residential customers were provided one 96-gallon cart for the disposal of garbage to be collected once per week. This 96-gallon cart is effectively now the large size and the 64-gallon medium size is now the default for new residents.

All revenues and expenses associated with the operation and maintenance of the City's Solid Waste and Environmental Services Programs are accounted for in the Solid Waste Enterprise Fund. The primary sources of revenue for the Solid Waste Fund are the Solid Waste Fee and the Environmental Services Fee. These fees are assessed and billed to customers monthly via the CPS Energy billing statement.

Solid waste monthly rates for the Pay as You Throw Program are as follows:

Rate Comparison	FY2015	FY2016-FY2017		FY2018	FY2019
Garbage Cart Size (gal)	All Customers	Non-PAYT Customers	PAYT Customers	PAYT Customers*	PAYT Customers*
Small (48)	\$20.93	\$20.93	\$20.43	19.93	19.00
Medium (64)			\$20.93	21.93	21.00
Large (96)			\$22.18	24.68	29.00

*Areas that will not be transitioned to PAYT will continue to pay the Non-PAYT rates through FY 2019.

Audit Scope and Methodology

The audit scope was CPS solid waste customer billing and corresponding revenues remitted to the City for the months of July through September 2017.

To establish our test criteria, we reviewed SWMD policies and procedures. We also interviewed management and staff to gain an understanding of the operations and workflow of the Pay as You Throw program.

As part of our testing procedures, we examined SWMD monthly processes for reviewing customer billing data as well as revenue remitted to the City by CPS. We reviewed CPS billing data for July-September 2017 and compared certain data fields to the SWMD Cart Inventory (a listing of customers who have one or more garbage carts) and the SWMD Exempt Properties List (a listing of properties that are exempt from the solid waste fee) to ensure customer billing is appropriate and accurate. We also reviewed billings for compliance with new PAYT rates effective for FY 2017. Lastly, we compared CPS billed amounts to CPS revenue remittance reports and SAP journal entries for accuracy and completeness.

We relied on computer-processed data in the City's SAP system to validate revenues received from CPS. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Audit Results

The Solid Waste Management Department (SWMD) has a process in place to review customer billing data that is received from CPS Energy (CPS). SWMD consolidates customer billing data it receives monthly from CPS with their own master customer database to capture customer billing modifications (e.g. move-ins/move-outs, cart size changes). SWMD also makes modifications to billing data which it then sends to CPS to carry out during the next billing cycle.

Based on our analysis of cart inventory and billing records matched, 99% of billings are accurate. The remaining 1% are primarily new accounts with partial month billings, transferred accounts, or recently closed accounts. SWMD staff has processes in place to identify and resolve these discrepancies in a timely manner.

During the audit, we identified a small percentage of SWMD cart records that we could not find in CPS billing records, and conversely a small percentage of CPS records that were not reflected in SWMD cart records. We also found a small percentage of records where the garbage fee billed to the customer by CPS did not match the customer's cart size according to SWMD records. Lastly, we identified CPS customers who had a cart according to SWMD records but were not being billed. We brought these discrepancies to the attention of SWMD for follow-up.

There are no findings. Consequently, we make no recommendations to SWMD management.

Appendix A – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Daniel Kuntzelman, CIA, Auditor in Charge

Appendix B – Management Acknowledgement



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

October 25, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of the Audit of Solid Waste Management
Department Pay as You Throw Program

The Solid Waste Management Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Solid Waste Management:



Fully Agrees



Does Not Agree (provide detailed comments)

Sincerely,

David W. McGary, CPM
Director
Solid Waste Management

10/30/2018
Date

Roderick Sanchez, AICP, CBO
Assistant City Manager
City Manager's Office

10-30-18
Date