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SANTA ROSA COUNTY, FLORIDA

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May 14, 2018

Donald C. Spencer, Clerk of the Circuit Court and Comptroller  
Santa Rosa County  
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Dan Schebler, Interim County Administrator  
Santa Rosa County  
6495 Caroline St, Suite D  
Milton, Florida 32570

**Re: Review of Landfill Scale House Cash Controls**

Gentlemen:

Enclosed please find the report on our review of cash controls over the Milton landfill scale house. As you may know our assistance was requested by the Clerk's Finance Director, Mike Burton based on concerns raised for internal controls over cash accountability procedures at the landfill.

We are pleased to report that while several control weaknesses were identified during this review, County management is taking steps to correct the deficiencies noted in this report. We'd also like to acknowledge the cooperation of Environmental Department staff especially Kelly Hobbs, Environmental Superintendent and Ron Hixon, Environmental Manager.

Under your leadership, this work and resulting report marks the beginning of a collaborative effort between the Clerk of Courts' Internal Audit Department and County Management. Collectively we seek to improve the efficiency and effectiveness of county operations while improving internal controls over same.

I would be pleased to discuss this report at your convenience.

Respectfully,

Samuel S. Scallan, Internal Auditor  
Santa Rosa County Clerk of Courts

**CC:** Michael Burton, Finance Director  
Bob Miller, Assistant Finance Director  
Ron Hixon, Environmental Manager  
Kelly Hobbs, Environmental Superintendent

**SANTA ROSA COUNTY  
CLERK OF THE CIRCUIT COURT AND  
COMPTROLLER**

**INTERNAL AUDIT DEPARTMENT**

**REPORT ON REVIEW OF RECEIPTING CONTROLS AT THE  
SANTA ROSA COUNTY LANDFILL SCALE HOUSE**



**REPORT NUMBER BCC 18-8**

**REPORT ISSUED MAY 14, 2018**

**ISSUED BY: SAMUEL SCALLAN, INTERNAL AUDITOR**

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## **Report on Review of Receipting Controls at the Santa Rosa County Landfill Scale House**

We have conducted a limited scope review of controls over receipting and collecting of tipping fees at the Santa Rosa County Central Landfill in Milton. Our review was conducted in accordance with Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

### **Background**

We were contacted by the Clerk's Finance Director in February regarding an overage for a deposit made by County Landfill staff. Apparently an anomaly occurred in the receipting process used at the landfill resulting in a deposit overage of \$45. The overage was reported to the Finance Director by the Environmental Superintendent for the County. The Finance Director contacted our office regarding concerns for internal controls over collections at the landfill scale house.

Santa Rosa County Operates a landfill in Milton and Jay overseen by the County's Environmental Department. The Jay location operates as a transfer station where refuse is collected and then transported to the main landfill in Milton. Funds collected at the Jay site are receipted through the use of a cash register that maintains total sales each day. Receipts from this register are given to the customer upon request. Funds collected are transported by landfill staff each day to the main landfill in Milton. The Milton site is located off of Da Lisa Road and uses a sophisticated management and receipting software product, *PC Scale*.

### **Objectives and Scope**

The objective of our audit was to identify and evaluate internal controls and potential control weaknesses over the assessment, collection and deposit of funds received at the scale house located at the central landfill in Milton. The scope of our audit was to evaluate controls, policies and procedures currently in effect at the Milton landfill scale house. Our work does not constitute a comprehensive review of controls at the landfill.

### **Methodology**

Our work included observations of processes used in the scale house including observed physical controls and security. We met with staff from the County Environmental Department including the Environmental Superintendent responsible for the oversight of the scale house. We reviewed the user's manual for PC Scale and observed scale house operators using the system during normal working hours. We observed the Environmental Supervisor's end of day cash balancing and reconciliation procedures. We studied user rights and roles designed into the scale house software for employees given access to the scale house system. We spoke with PC Scale support staff under contract with the County to provide consultation in the use of the software product.

We met with County management to discuss our observations and recommendations. We did not test or evaluate the calculations of charges generated by PC Scales.

During our work we worked closely with County Environmental Department staff and wish to acknowledge their assistance and cooperation during our audit.

## **Findings and Observations**

### **Scale House Operations**

The scale house is flanked on two sides by commercial vehicle scales, one in the “inbound” lane and one in the “outbound” lane. Vehicles pull onto the scale at the inbound lane to be weighed in. They are visually identified by the inbound lane scale house operator along with the type of refuse they are hauling. The vehicle number is entered into the system along with the type of refuse. The weight is recorded automatically. This creates a “staged ticket” in the PC Scale system. After emptying their load the vehicle pulls onto the scale at the outbound lane. The outbound lane scale house operator identifies the vehicle, enters the number and weighs the vehicle. PC Scale calculates the amount due based on the net difference in weight and the type of refuse unloaded. The scale house operator enters the amount to be paid along with the tender type (cash, check or credit/debit), collects funds due and processes the payment. A receipt is printed for the customer automatically.

### **Commercial Vehicles**

Vehicle identification information for trucks belonging to commercial haulers that have previously registered with the County’s Environmental Department is set up in the system in advance. Companies with good credit are allowed to charge amounts due and are billed monthly. Truck information including the truck identifier number and tare weight (weight of vehicle when empty) are entered into the system in advance. When these vehicles weigh in, the previously recorded tare weight is automatically subtracted from the inbound weight; the amount owed is assessed and automatically charged to that hauler’s commercial account. This prevents the truck from having to weigh out upon exit and helps to improve vehicle flow through the outbound scale. This is an efficient use of the software’s capabilities.

### **End of Day Process**

At the end of each day scale house operators count funds in their drawer. Scale house operators perform a “blind” count meaning that they do not know the total amount of funds they have receipted in the system. This is a preferred method as it limits the ability of the scale house operator to manipulate the amount of funds deposited.

### On Site Physical Safeguards

Doors to the scale house are locked and require a key code to open. There are adequate physical safeguards to protect funds located in the scale house. We will not discuss those in this report. The scale house is under constant video surveillance with numerous cameras in various strategic locations to record activity inside the scale house, at the inbound and outbound collection windows and on the scale house scales. Physical safeguards appear adequate.

### Reconciliation to Daily Collections

Each day the County's Environmental Superintendent prints an end of day collections report for each scale house operator to determine the amount of funds receipted. She then goes to the scale house to retrieve the daily funds deposited by scale house operators into the drop safe. She reconciles each scale house operator's collections to the amounts reported on the end of day collections report and notes overages and shortages for each operator. This is a good control. Funds collected are remitted to the Clerk of Courts Finance Department for verification, recording and deposit.

### Security and Transportation of Funds

As mentioned in the previous section, funds collected at the landfill scale house are remitted to the Clerk's Finance Department for recording and deposit. In conversations with the Environmental Superintendent we learned that funds are picked up daily by a county courier. Upon inquiry of the Clerk's Finance Department we learned that funds delivered to them by the county courier amount to several thousand dollars. On one recent delivery, representing scale house collections for multiple days the courier delivered deposits containing over \$6,000.00 cash. In conversations with landfill staff we learned that the courier is not armed and the employee is not bonded.

**Observation:** County funds are transported to the Clerk's Finance Department by a county employee who is not bonded.

Public funds transported from the point of collection to the Clerk's central office should be made by armed security services that are bonded against theft. Permitting county employees to transport funds places them at risk of bodily harm in the event of an attempted robbery. In addition, the county is at risk of possible theft and misappropriation of public funds.

**Recommendation:** We recommend that the county seek the services of a fully bonded and licensed armored security transport service.

### Receipting Prepaid Funds

County management permits a limited number of commercial haulers to prepay their account. This is permitted when credit cannot be extended to the company but the volume of material deposited at the landfill is such that it is more convenient to allow a prepayment to prevent drivers from having to bring a payment every time they deliver a load.

To receipt a payment in PC Scale, the system requires all payments to be associated with a commercial hauler's account however these haulers do not have an account set up in the system. Because of this, prepayments received at the scale house are not tracked by PC Scale. Rather, scale house operators use a manual receipt book to write a receipt to the driver bringing the prepayment. Such funds are dropped in the drop box separate from scale house operator's daily deposit. This practice is inefficient at best and leaves room for manipulation of payments.

**Observation:** Funds collected in the scale house for prepayments on accounts are receipted using manually written receipts.

In conversations with county management we learned that changes to the prepayment program are being implemented. Once complete, prepayments will no longer be accepted at the land fill scale house but instead must be made to the Environmental Office in the County Engineering Offices.

**Recommendation:** Once implemented these changes should correct the control weakness identified.

### PC Scale User Rights and Roles

PC Scale is a sophisticated software product used to control virtually every aspect of the business side of running a municipal landfill. Access to the system is controlled through use of user names and passwords. Each user granted access to the system is assigned a specific, predefined *user role* tailored for their specific duties. *User role* is a term used to describe system access controls to the various components and functionality of the system. PC Scale has a robust user role mechanism that controls access to all aspect of the system. PC Scale is installed with six different, predefined user roles and has the ability to create an additional 99 such roles allowing for maximum flexibility in allowing access to the system.

The six separate user roles are:

- Administrator
- System Admin
- Profile Administrator
- Supervisor
- Power User
- Operator

We worked closely with the Environmental Superintendent responsible for scale house operations to understand and evaluate the functionality of user rights and roles in order to assess controls built into the software.

Along with the Environmental Superintendent, we examined the various user rights for two specific roles, Operator and Administrator, to determine what aspects of the system they controlled. In reviewing user rights to the system it is important to understand what duties or responsibilities have been assigned to each user in relation to the rights they have been given. The results of such a review provide insight into potential conflicts between each user's rights and their duties.

For instance, soon after taking the position of Environmental Superintendent she noticed that the default settings for Operator permitted those users to void tickets/receipts. When she discovered that these employees collected fees at the scale house she realized that these are incompatible duties and she promptly removed those rights to void tickets/receipts from the Operator Role.

Working with the Environmental Superintendent, we discovered additional user rights that, when evaluated in light of user responsibilities, are incompatible with their duties and should be addressed. These are discussed in the remainder of this report.

### **Administrative Role, Voids and User Responsibilities**

In discussions with the Environmental Superintendent we learned that she has been assigned the *Administrator Role* in PC Scale. Working with her we examined the various rights assigned to that Role and looked for those rights that may be incompatible with her assigned responsibilities. We discovered that the *Administrator Role* grants rights to void tickets/receipts however she is also responsible for collecting and counting funds at the scale house each day. System access rights permitting the user to void receipts and physical access to cash are incompatible duties that should be assigned to different employees.

In discussing this issue with her we learned that another employee in the Environmental Department is also assigned the Administrator Role and acts as backup for her in her absence.

**Observation:** The Environmental Superintendent responsible for oversight of the scale house is responsible for counting daily cash receipted and reconciling the cash to daily sales reports generated by PC Scale. In addition, her user role gives her the ability to void receipts within that system. The same is true for her backup employee who balances the scale house receipts in her absence.

**Recommendation:** We recommend that the ability to void a receipt/transaction be assigned to others not responsible for handling and processing cash.

### **Setting up and Modifying User Rights**

During our review we learned that the *Administrator Role* has rights to set up, delete and change user roles. Typically authorization to add, change or delete user rights or roles within a business software application is assigned to those who are not involved in daily operations such as the organization's Information Technology Department. As mentioned earlier, the *Administrator Role* has been assigned to the Environmental Superintendent and yet we know that she is involved in daily operations including voiding tickets and reconciling cash. These are incompatible duties that should be separated to different staff.



**Observation:** Allowing the Environmental Superintendent, who is also engaged in daily scale house financial operations, the right to establish or modify user rights is an incompatible duty that should be assigned to someone not involved in daily operations.

**Recommendation:** We recommend that the role assigned to the Environmental Superintendent be changed such that she is prevented from setting up, changing or deleting user rights or roles. In addition, given the importance of changes to user rights and roles, such should only occur based on written authorization by a supervisor or administrator. Documentation to support changes to user rights should be retained for support and reference.

### Staged Tickets

As mentioned previously a *staged* ticket is created when a vehicle number is entered into the system. The vehicle then drives onto the inbound scale and the weight is automatically recorded. At this point a transaction (staged ticket) has been created in PC Scale. The vehicle is then weighed upon exit and the system calculates the amount due.

Based on observations at the scale house we learned that a ticket remains in the system even after the outbound weight is recorded and the amount calculated. The ticket is not completed and closed until funds are collected and receipted. The significance of a staged ticket becomes apparent when you understand that a scale house operator can void a staged ticket at any point until it is receipted.

Based on conversations with the Environmental Supervisor, staged tickets are routinely voided for a number of reasons. One such reason might be if the scale house operator manning the inbound scale accidentally enters the wrong vehicle number. He/she merely voids that ticket and starts a new one. A staged ticket can also be voided by the scale house operator sitting at the outbound window. In this situation staged tickets are voided when a commercial hauler has an equipment malfunction and is unable to empty their load or when the outbound scale house operator realizes the inbound weight was incorrect because a second vehicle was on the scale at the same time.

Staged tickets that are not closed out or voided cause operational problems when the vehicle covered by the *staged* ticket makes another delivery and attempts another weigh in.

**Observation:** The ability to void a staged ticket is controlled through user rights and roles. Giving scale house operators the right to void staged tickets can be problematic. For instance: An operator sitting at the outbound window can weigh the vehicle, calculate the amount due, collect those funds and then void the staged ticket before receipting the amount and pocketing the amount collected. In another example an unscrupulous operator could form an alliance with a debris hauler. Each time that hauler weighs out; the operator merely voids the staged ticket, settling up offsite.

We discussed these scenarios with the Environmental Superintendent responsible for scale house operations who agreed that giving a scale house operator the right to void a staged ticket is a control weakness that should be addressed.

It was the ability to void a staged ticket by scale house operators that led to the circumstances surrounding the \$45.00 overage referenced at the beginning of our report. A customer was unable to pay the total amount due for the ticket (\$59.00) upon exiting and, instead, made a partial payment of \$45.00. PC Scale does not permit partial payments and so the scale house operator voided the staged ticket and turned in the \$45.00 collected as an overage for the day. Were it not for the honesty of the scale house operator these funds could have been misappropriated and while we applaud the honesty of the employee and the trust placed in them by county management, trust is not an internal control.

We initially suggested that County management consider removing the ability to delete staged tickets from user rights for scale house operators. Based on a trial period (five days) county management informed us that there were simply too many staged tickets left open during that period such that they elected to reverse this decision and permit scale house operators to continue to void staged tickets.

**Recommendation:** Removing rights to void staged tickets is a preventive control that is the preferred method to address this control weakness. As an alternative, management must develop compensating controls.

We recommend that the Environmental Superintendent responsible for scale house operations develop a report to track and monitor voided staged tickets. The report should track who created the ticket and who voided it and should reflect the reason for each void. This report should be printed daily and reviewed by the Superintendent and filed for review by internal and external auditors.

### **Need for Full Review of User Roles**

As discussed in the preceding paragraphs, shortly after assuming the position, the Environmental Superintendent identified and corrected a control weakness regarding user rights for employees in the scale house who had been assigned the Operator roll. We commend her for identifying this weakness and taking corrective action.

During our meetings with her we learned that she has been in the position only a short while and has not had an opportunity to examine rights for all six predefined Roles nor has she had the opportunity to examine those rights in relation to other duties assigned to those with access to PC Scale. While we have identified several key control weaknesses, our work is no substitute for a full review of user assigned rights by management.

According to the Environmental Superintendent, there are 12 users with access to PC Scales. These employees occupy positions ranging from the Director of Environmental Department to administrative assistants all of whom have differing duties and responsibilities. Until a full review of user rights and roles is conducted there is a possibility that other control weaknesses exist.

**Observation:** Management has not performed a full review of user rights and roles that control access to the landfill's automated weighing and receipting system.

**Recommendation:** We recommend that the Environmental Superintendent undertake a full review of user rights and roles to identify potential control weaknesses.

## **Conclusions**

Our work represents a limited review of controls over receipting at the Milton landfill scale house and is not a full review of controls at the landfill. Over all our assessment is that controls are generally good as is security and physical safeguards over the scale house.

Built in controls designed into the PC Scale software system used at the main landfill scale house are adequate however duties of key employees should be compared to the user rights they have been granted within the PC Scale system to avoid control weaknesses identified in this report.

Please see management's response to this report immediately following.

**End of report**

**Management's Response**



**SANTA ROSA COUNTY  
ENVIRONMENTAL DEPARTMENT**

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ROGER BLAYLOCK, P.E., County Engineer  
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RON HIXSON, Environmental Manager  
ronh@santarosa.fl.gov

**To:** Mr. Scallan  
**From:** Ronald Hixson, Environmental Manager  
**Date:** May 11, 2018  
**Re:** Responses to Draft Review of Landfill Scalehouse Operations

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**Security and Transportation of Funds**

**Recommendation:** We recommend that the county seek the services of a fully bonded and licensed armored security transport service.

**Response:** The Environmental Department will research the cost and procedures to implement this recommendation.

**Receipting Prepaid Funds**

**Observation:** Funds collected in the scale house for prepayments on accounts are receipted using manually written receipts.

**Response:** Changes to how Charge and Pre-Paid accounts are established and administered are pending approval by the Board of County Commissioners. In respect to Pre-Paid Accounts, users that establish Pre-Paid Accounts will be required to provide a one (1) month deposit of the anticipated disposal fees, monitor and maintain a positive account balance and provide additional funds to maintain a positive balance by depositing funds with the Environmental Office during normal work hours. Payments for Pre-Paid Accounts will not be accepted at the scalehouse.

**Administrative Role, Voids and User Responsibilities**

**Recommendation:** We recommend that the ability to void a receipt/transaction be assigned to others not responsible for handling and processing cash.

**Response:** The Environmental Superintendent and Environmental Service Coordinator are both assigned Administrator Roles in PC Scales to allow them to properly perform management of scalehouse operations. The ability to void tickets and receipts is integral to the reconciliation of daily transactions and efficient operation of the scalehouse. In order to provide additional oversight of voided receipts and/or transactions the Environmental Supervisor will generate a weekly report on voided receipts and transactions that will be reviewed and certified as accurate by the Environmental Manager.

#### **Setting up and Modifying User Rights**

**Recommendation:** We recommend that the role assigned to the Environmental Superintendent be changed such that she is prevented from setting up, changing or deleting user rights or roles. In addition, given the importance of changes to user rights and roles, such should only occur based on written authorization by a supervisor or administrator. Documentation to support changes to user rights should be retained for support and reference.

**Response:** The Environmental Superintendent is responsible for overseeing the proper operation and implementation of PC Scales that allows the county's Landfill Service Technicians to accurately process and account for all materials presented for disposal or recycling at the Central Landfill. Fundamental to that responsibility is the ability to assign user rights and roles for individuals as necessary to fulfill that function. To address a possible control weakness where the Environmental Superintendent assigns user rights and roles and handles cash, the Environmental Superintendent will be restricted from assigning user rights and roles but will make recommendations to the Environmental Supervisor on the user rights and roles for individuals. The Environmental Supervisor will assign or modify user rights and roles as recommended by the Environmental Superintendent. As part of our review of user's rights and roles a complete listing of users, their assigned roles and rights will be compiled for review and approval by the Environmental Manager.

#### **Staged Tickets**

**Recommendation:** Removing rights to void staged tickets is a preventive control that is the preferred method to address this control weakness. As an alternative, management must develop compensating controls. We recommend that the Environmental Superintendent responsible for scale house operation develop a report to track and monitor voided staged tickets. The report should track who created the ticket and who voided it and should reflect the reason for each void. This report should be printed daily and reviewed by the Superintendent and filed for review by internal and external auditors.

**Response:** PC Scales, at the request of the Environmental Department, has modified the report of staged tickets to add a field that indicates the attendant that creates the original incorrect ticket and the attendant that voids the staged ticket. The Environmental Superintendent will print out and review a Stage Ticket Report weekly to verify who and why a staged ticket was voided. The Environmental Manager will review and approve the report and maintain a file for review by auditors.

#### **Need for Full Review of User Roles**

**Recommendation:** We recommend that the Environmental Superintendent undertake a full review of user rights and roles to identify potential control weaknesses.

**Response:** The Environmental Department will undertake a complete review of all users with access to PC Scales and their assigned rights and roles. An authorized user list will be created, will be updated annually and filed for review by auditors.