

2018

Travis County Auditor's Office Review of
Transportation and Natural Resources Revenue
Contracts for Recyclables



Travis County Auditor's Office
Risk Evaluation & Consulting Division

10/15/2018

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AUDITOR'S OFFICE

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To: Cynthia C. McDonald
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From: Nicki Riley, CPA
Travis County Auditor

Date: October 15, 2018

Subject: Recycle Revenue Contracts Review

The Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed a limited scope review of the revenue contracts between Texas Disposal System, Austin Pallet Company and Travis County Transportation and Natural Resources (TNR). We conducted our review in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our review, we are providing this report on our findings and recommendations.

Background

Travis County has entered into contractual agreements with both Texas Disposal System (TDS) and Austin Pallet Company (APC) for recycling services. The contract with TDS relates to baled corrugated cardboard from the Travis County Correctional Complex (TCCC), while the APC contract relates to the collection of pallets from the TCCC.

Objective and Scope of Review

The primary objective of this review was to examine revenue assessment, collection, and documentation protocols for these contracts. In this review, we examined collections for the period October 1, 2015 through March 31, 2018.

Review Methodology

Our work was based on applying sampling procedures to the entity's records and on verbal and written representations from each department's personnel. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters related to these revenue contracts that might be material weaknesses or misstatements. In regard to the written and verbal representations made by TNR staff during this review, unless otherwise noted in this report, TNR management maintains that the assertions we relied upon in the review were correct to the best of their knowledge.

Summary of Findings

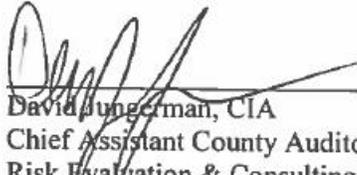
During our review of the TDS and APC revenue contracts for recyclables, we noted that supporting documentation was not complete for 37 (69%) of the 54 payments received from these entities in the review period. Our findings, recommendations and management's responses to these findings are detailed in the Areas of Concern section of this report.

Examination Team

Angel Candelario, Senior Auditor

Closing

This report is intended solely for the information and use of your offices and the Commissioners Court. We greatly appreciate the cooperation and assistance received from management and staff of TNR and the Purchasing Office during this examination. Please contact us if you have any questions or concerns regarding this report.



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BACKGROUND

Texas Disposal Systems

On February 19, 2013, Travis County entered into a contract with Texas Disposal Systems. The contract is for recycling services of corrugated cardboard at the Travis County Correctional Complex, in Del Valle.

TDS pays the County for the cardboard transported from County facilities based on the tonnage obtained each month, with weights substantiated by certified scale tickets. With each payment, TDS is to provide the following: a tabulation of the quantity and price paid (at 65% of the applicable market rate) for each type of cardboard obtained; a tabulation of this cardboard's weight based on certified scale tickets; and a copy of the applicable market price quotes to include the page header or footer with the journal name, date, and page number.

The TDS contract term is for 12 months with the options to extend up to three additional years and three additional months.

Austin Pallet Company

In February 2014, Travis County entered into a contractual agreement with Austin Pallet Company. This contract allows APC to recycle Travis County's unused wooden pallets in exchange for a grade-contingent payment.

APC collects pallets from the TCCC and provides payment to the County based on the grade of the pallets collected, as determined by APC. The contract does not require that APC remit supporting documentation with these payments; however, APC periodically does provide a payment remittance listing the number of pallets collected, their grade, and the total paid.

In regard to the contract term, no formal term is denoted in the contract. Either party may terminate by submitting a formal request to terminate.

AREAS OF CONCERN

Texas Disposal System Revenue Contract

We obtained a report detailing TDS payment remittances from TNR's Financial Manager for the period October 1, 2015 through March 31, 2018. Thirty revenue transactions totaling \$21,861.90 were processed during the period, of which we sampled 20 (67%) transactions totaling \$14,793.90 for compliance testing.

Of these sampled items, we noted that supporting documentation for seven (35%) revenue transactions was not available. Of the remaining 13 (65%) transactions, the supporting documents did not include the market price quotes.

Significance

When price quotes and other supporting documentation are not obtained, TNR personnel are unable to review the payments received to ensure the County is receiving the proper revenue in accordance with the contract. In addition, Section 23.3.3 of the contract with TDS entitled "Recording and Payment Requirements", states that TDS is required to send the County a *"copy of the applicable market quotes to include the page header or footer with the journal name, date and page number."*

Recommendation

We recommend that the TNR contract manager ensure that TDS provides all supporting documentation for payments in accordance with the contract and in a timely manner. The contract manager should also verify that the County receives 65% of the applicable market rate as required by the contract. Upon completion of this review, all supporting documents should be initialed by the contract manager and attached to the payment transaction in SAP.

Management Response

In addition to requesting the vendor submit the required documentation, TNR will purchase a membership with an index pricing publisher to verify market rate on materials. The contract administrator will forward the approved and initialed receipts and documentation to TNR's cashier to be included as documentation for any cash receipts related to the contract. Should there be a delay in receiving the documentation from the vendor that would exceed the State's deposit timelines, TNR will deposit the check with a note from the contract administrator stating the reason the receipt was not attached to the cash receipt. In these cases, a separate file will be kept of the documentation in accordance with TNR's record retention policy.

Austin Pallet Company Revenue Contract

We obtained a report detailing APC payment remittances from TNR's Financial Manager for the period October 1, 2015 through March 31, 2018. Twenty-four revenue transactions totaling \$3,128.45 were processed during the period, of which we sampled 17 (71%) transactions totaling \$2,398.05 for compliance testing. Of these sampled items, we noted that supporting documentation for 10 (59%) revenue transactions was not available.

Significance

When complete supporting documents are not obtained, TNR personnel are unable to review the payments received to ensure the County is receiving the proper revenue in accordance with the contract. As stated in the background section above, APC is not currently required to remit these supporting documents under the contract.

Recommendation

We recommend that the agreement with APC be amended and a paragraph added requiring APC to provide a detailed receipt with each revenue check stating the number of pallets collected per pickup and the grade of each pallet. In addition, the contract manager should reconcile this receipt to revenue payments received to ensure the County receives the correct amount based on the grade of the pallet and number of pallets collected. Upon completion of the review the receipt should be initialed by the contract manager and attached in SAP.

Management Response

TNR agrees the agreement should be amended with a paragraph requiring Austin Pallet Company to provide a detailed receipt with each revenue check. The contract administrator will work with Purchasing on amending the agreement. The contract administrator will also communicate with Purchasing on any future documentation issues once the contract is modified.

The contract administrator will forward the approved and initialed receipts to TNR's cashier to be included as documentation for any cash receipts related to the contract. Should there be a delay in receiving a receipt from the vendor that would exceed the State's deposit timelines, TNR will deposit the check with a note from the contract administrator stating the reason the receipt was not attached to the cash receipt. In these cases, a separate file will be kept of the documentation in accordance with TNR's record retention policy.