



Scrap Materials Handling Process Review
A2021-4

FINAL REPORT

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Internal Audit Office
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Table of Contents

EXECUTIVE SUMMARY	1
BACKGROUND	3
AUDIT OBJECTIVES	3
AUDIT SCOPE	3
AUDIT METHODOLOGY	4
FINDINGS & RECOMMENDATIONS	4
INHERENT LIMITATIONS	6
CONCLUSION	13
ATTACHMENTS	14

EXECUTIVE SUMMARY

The Internal Audit Office has concluded the Scrap Materials Handling Process Review. Based on the results of the review, eight areas for improvement were identified. Listed below is a summary of those findings along with an overall priority rating for each, based on the scale below. For a detailed explanation of each, please refer to the individual findings contained in the body of this Audit Report.

<i>HIGH</i>	Represents a finding requiring immediate action by management to mitigate risks associated with the process being audited.
<i>MEDIUM</i>	Represents a finding requiring action by management within a reasonable time period to mitigate risks associated with the process being audited.
<i>LOW</i>	Represents a finding for consideration by management for correction or implementation associated with the process being audited.

1. ***The process for disposal of recyclable scrap material put into place by Purchasing in 2017 does not comply with either the Code of Ordinances or the current Procurement Policy. Priority: High***
 - The current practice followed to sell recyclable scrap materials directly to a recycling company only requires Director approval. Although reasonable and efficient, this does not follow current code which requires City Council or City Manager approval for all surplus property sales.
2. ***Scrap sales revenue not properly classified in some cases and back-up documentation not consistently attached in Munis. Priority: Medium***
 - Scrap sale proceeds for one section were posted to the wrong General Ledger account in all fiscal years (FY17-FY21).
 - Two out of five scrap revenue transactions in FY21 were missing backup documentation in Munis.
3. ***Timely deposit of scrap sales revenue is not consistent. Priority: Medium***
 - Out of 16 scrap sale transactions, 8 were deposited 6 or more days after the sale took place. For one of these, 21 business days lapsed between the date of sale and the date proceeds were receipted for deposit.
4. ***Selling recyclable materials directly to a recycling company may result in the highest possible price but not be the most effective disposal method in terms of overall benefit accrued to the city. Priority: Medium***
 - There is no process in place requiring consideration of factors other than price in the auction versus recycle decision for scrap material disposal.
 - Scrap metal sold for \$216.98 required 2 employees 2 days, use of heavy equipment and multiple trips to the recycle facility cost the city over \$300 in hourly wages alone.
5. ***There are no city level policies or procedures to guide departments in managing and selling scrap materials to a recycling company. Priority: Medium***
6. ***Improvements in the security and tracking of accumulated scrap materials could be made. Priority: Medium***
 - Accumulated recyclable scrap is not distinguished from salvage material
 - Provisions for storing copper wire scrap does not limit access.

7. *Recyclable scrap materials are being disposed of in the landfill waste dumpster. Priority: Medium*

- Galvanized signposts are being disposed of as waste that if recycled with aluminum signs could increase the benefit of that effort.

8. *Controls in the process for collecting and securing the copper and brass materials before being prepared for recycling need to be standardized. Priority: Medium*

- Generally good practices are followed in handling scrap materials but not formalized and scrap materials are sometimes left on floor outside the cage or in one of the trucks.

The Public Works Department has done an excellent job of implementing processes and controls for recyclable scrap materials. The opportunities for improvement identified during the audit serve to enhance these efforts and benefit other departments in the city that recycle scrap materials.

BACKGROUND

Multiple departments within the City generate valuable scrap materials from their operations that can be sold to recycling companies. This includes Streets & Traffic, Wastewater and Utility Maintenance departments under Public Works. Types of scrap material collected by these departments includes wire, tubing, fittings, valves, street, traffic and other signs, and batteries made of steel, copper, aluminum, brass and cast iron. Each department has a location to collect recyclable scrap from their operations. Upon Director approval, the accumulated scrap material is periodically delivered by employees to the local recycling company to sell.

Direct sale of scrap material by these departments began in 2017. Prior to that, scrap materials were turned in to Purchasing for auction. As operations expanded, the volume of scrap began to increase as well as the value of scrap metal. It was determined that proceeds from auction sales were significantly less than what the city could recover by recycling the material. Because of this Purchasing advised Public Works to start selling scrap directly to the recycling company instead of going through the auction process.

Revenue from the sale of recyclable scrap is deposited into the city's general fund. Total cost recovery to date from all city operations scrap material sales is approximately \$17,400. For the past three fiscal years scrap revenues have averaged around \$4,700:

FISCAL YEAR		
2019	2020	2021
\$ 3,891.91	\$ 5,655.35	\$ 4,605.26

AUDIT OBJECTIVES

The audit objectives were to determine if internal controls over the collection and sale of scrap materials are adequate to safeguard city assets and records, and disposal is being conducted efficiently and effectively in accordance with laws and city policies governing the disposal of surplus property.

AUDIT SCOPE

The scope of this audit was limited to a review of the process for scrap metal collection and sale by the departments under Public Works and review of financial data for scrap sales FYs 2017 through 2021. The scope of work on internal controls was limited to the controls within the context of the audit objectives and the scope of the audit.

AUDIT METHODOLOGY

To achieve the audit objectives the following activities were performed:

- Researched applicable regulations, code, and City policies
- Interviewed city employees
- Conducted a review of documentation for scrap sales
- Conducted a review of applicable General Ledger accounts
- Evaluated written departmental procedures
- Evaluated internal controls related to scrap materials

This audit was conducted utilizing the *International Standards for the Professional Practice of Internal Auditing* as a guideline for planning and performing the audit. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives.

FINDINGS & RECOMMENDATIONS

Several findings indicating areas for improvement were identified during this audit. However, this audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvement might be needed. Provided below is the risk rating definition for the findings.

<i>HIGH</i>	Represents a finding requiring immediate action by management to mitigate risks associated with the process being audited.
<i>MEDIUM</i>	Represents a finding requiring action by management within a reasonable time period to mitigate risks associated with the process being audited.
<i>LOW</i>	Represents a finding for consideration by management for correction or implementation associated with the process being audited.

Finding #1: The process for disposal of recyclable scrap material put into place by Purchasing in 2017 does not comply with either the Code of Ordinances or the current Procurement Policy.

Article VI. of the Code of Ordinances governs the disposition of surplus property owned by the City. According to the code, a written request must be submitted to the purchasing department by the Director to dispose of surplus property. Anything with a potential sale value less than \$5,000 should be approved by the City Manager and anything \$5,000 or more should be approved by City Council via resolution. Once approved the purchasing department can proceed to sell the property using any reasonable method to obtain the highest possible price. Policies and procedures help ensure necessary actions are taken to comply with established rules. The current Procurement Policy aligns with the code except reduces the threshold for council approval to \$2,500 and above.

The practice initiated by Purchasing in 2017 was for departments to sell their recyclable scrap directly to the recycling company only requires director level approval; no review by Purchasing or approval by the City Manager or City Council is required. There is currently no provision in the code or policy that allows departments to sell scrap to a recycler or without higher level approval.

In this case, having departments handle the sale of scrap directly to a recycling company seems more efficient than having to go through Purchasing, especially since purchasing would have to rely on the department to handle and transport the scrap. Considering that 87% of recycling sales have been less than \$1,000 (most of which under \$500) and only one has exceeded \$2,000 (\$2,120), approval at the Director level for the sale of recyclables also seems reasonable.

Technically the current procedure followed for recycling scrap materials is non-compliant with the code and policy. Established rules and procedures are forms of internal control to promote such things as efficiency, risk mitigation and consistency. Rules/procedures no longer adequate to accomplish the intended purpose should be revised appropriately to ensure a culture of compliance is fostered and maintained.

Recommendation

Purchasing should work with the City Manager to have the Code of Ordinances revised to include provisions that allow departments to directly sell valuable scrap materials to a recycling company based on Purchasing review and Director approval and update the Procurement Policy accordingly.

Management's Response

Staff is currently updating the Procurement Manual (Purchasing Policy) and will include the change for the threshold of surplus property under \$5,000 for City Manager approval and over \$5,000 requiring a Council resolution to match the Ordinance. Staff intends to add language to the Procurement Manual (Purchasing Policy) specifically for scrap material recycling to be approved by each Director based on their best judgment for the material type. Staff will also work with the City Manager to update the Code of Ordinances to include the same provisions proposed for the Procurement Manual (Purchasing Policy) to allow departments to directly sell valuable scrap materials to a recycling company based on Director approval. Modifications to the Purchasing Policy are in process and the disposal of scrap materials will be addressed.

Responsible Party: Executive Director Finance and Project Management

Agreed Upon Implementation Date: March 31, 2022

Priority: High

Finding #2: Scrap sales revenue not properly classified and back-up documentation missing in Munis.

- **Scrap sales revenue for Streets and Traffic were not properly classified in Munis.**
Proper revenue classification allows management to review and monitor scrap material sales. All proceeds from FY17 to FY21 for Streets and Traffic scrap sales have been being posted to the object code specifically for tracking revenue received from Ameriwaste (43490). Classifying the sale of scrap materials consistently allows management the ability to evaluate trends and impact of this activity across all city departments.
- **Backup documentation for the scrap sales receipts was not consistently attached in Munis.**
Maintaining source documentation for transactions is an internal control to validate the transaction and for audit purposes. In mid FY20 scrap revenue receipts started being processed in Munis individually allowing for supporting documentation to be attached, however two out of the five scrap sales transactions in FY21 were missing backup documentation. Retaining backup documentation to justify the transactions in the general ledger provides information to management and external auditors.
- **The object code for scrap sales revenue is specific to metal.**
The scrap sales object code description is Scrap Metal so to accommodate for other types of scrap sales this should either be modified to just Scrap or maybe Scrap Sales. This will eliminate any confusion regarding where to post this type of revenue from sale of batteries or other recyclable materials that may be identified.

Recommendations

Public Works:

- A. Ensure that revenue from scrap material recycled by Streets and Traffic is posted to the correct object code (44190).

Finance:

- B. Reclass FY21 recycling proceeds from scrap sales posted to 43490 to 44190.
- C. Require cashiering staff to obtain appropriate backup documentation for all recycling sale deposit transactions they process and post to Munis.
- D. Rename the current object code to just Scrap or Scrap Sales.

Management's Response

Public Works:

- A. Public Works utilized object code given to them at the time of transaction and acknowledges the correct code should be used. The above-mentioned object code (44190) will be used in all future scrap sales transactions.

Responsible Party: Streets & Stormwater Manager

Agreed Upon Implementation Date: Immediately

Finance:

- B. Journal entry 2012/12/1578 has been posted to reclass \$250.20 from the Ameriwaste scrap account (43490) to the scrap metal account (44190).
- C. The Finance Department has implemented the process, effective immediately, of attaching receipt documentation in Munis for all scrap sales. If none is received, it will be requested from the department.
- D. In order to maintain the integrity of general ledger data, we prefer not to rename general ledger accounts that have had historical transactions posted against it. The Finance

Department takes the position that the management understands this account is used for all scrap sales and, therefore, the Scrap Metal account name will not be changed.

Responsible Party: Finance: Interim Finance Director

Agreed Upon Implementation Date: Immediately

Priority: Medium

Finding #3: Timely deposit of scrap sales is not consistent.

Good internal controls include minimizing the time elapsed between receiving, depositing and recording monies in the accounting records.

Scrap sales transactions in FYs 19, 20, 21 for all departments were reviewed to ensure timely deposit of the proceeds. Out of the sixteen transactions for which the sales date could be verified, 8 were deposited 6 or more days after the scrap sale took place. For one of these, 21 business days lapsed between the date of sale and the date the deposit was receipted in Munis. The procedures recently implemented by the Director of Public Works indicates that the Supervisor should take proceeds directly to the City Hall to be processed the same day scrap is sold; however, it is not clearly specified.

When receipt deposits are not tracked or done timely, lost or misappropriated checks for proceeds from the sale of scrap may go undetected.

Recommendations

- A. Update the procedures to clarify that proceeds from selling scrap should be deposited with the cashiers at City Hall on the date of the sale or within a specified number of business days if same day is not possible.
- B. If scrap sales proceeds cannot be deposited the same day of sale, provision should be made to properly secure the check until it can be taken to City Hall for deposit.
- C. Have the Administrative Assistant monitor deposit of scrap recycling proceeds. One way to accomplish this would be to retain a copy of the approval to sell scrap in the Public Works Office along with the pictures submitted with the request. Following the established procedure, the supervisor will turn in the completed original form with receipts from the recycling company and deposit slip attached. If these are not received within a reasonable time the administrative assistant should follow up with the supervisor.

Management's Response

- A. SOP will be revised to require proceeds to be delivered to the Cashier at City Hall on same day of transaction.
- B. Check will be safely secured in Office of the Department Head of the applicable department.
- C. Executive Assistant will receive copy of signed approval sheet to initiate follow-up. If completed form acknowledging Cashier's receipt of check is not received the day of actual transaction; follow-up tracking will begin the next day. In the absence of this person, this responsibility will be delegated to the applicable department's administrative assistant.

Responsible Party: Director Public Works

Agreed Upon Implementation Date: Immediately

Priority: Medium

Finding #4: Selling recyclable materials directly to a recycling company may result in the highest possible price but not be the most effective disposal method in terms of overall benefit accrued to the City.

The process of comparing projected or estimated costs and benefits is a comparative decision-making tool that can assist management in determining a best option between two or more alternatives for operational optimization.

In 2017, Wastewater sold 10,487 pounds of scrap metal for \$216.98. This required 2 employees 2 days to prepare, load and transport the scrap from the Wastewater yard to the recycle facility, use of a crane to load, and a truck to transport scrap to the recycler. The estimated hourly wages alone cost the City over \$300 so in this case the price obtained from recycling the scrap may not have outweighed the total cost to the city (total labor and equipment costs) and loss of productive time. The lower price received from auctioning the scrap may have been more beneficial if the buyer was required to remove the scrap from city property.

From FY2017 to the present, there have been 30 scrap sales transactions. Over half of these were for \$500 or less with the majority under \$250.00, and as low as \$17.00. Many of these related to a department other than Public Works, which was not included in the scope of this review. Based on the observation for Wastewater above, these amounts raised some concern regarding whether the City is truly benefiting from recycling efforts that produce relatively small returns.

In determining which method of disposal for recyclable scrap material is best, other factors besides price should be considered such as labor and equipment costs associated with preparation and transport of scrap to the facility. There should also be some assessment to determine what the volume needs to be for recycling to be the best method of disposal. In some cases, it may be determined that recycling multiple scrap materials together may accrue benefit that would not be realized independently (See recommendation A for Finding #7). Given that this organization operates with lean resources, the opportunity cost for loss of productive time for resources diverted from normal operations should also be considered. Evaluating operational/financial impact of the disposal options for scrap materials will enhance the decision process to ensure the method selected will either optimize benefit or minimize cost.

Selecting the disposal method for scrap materials based only on price may result in costing the city more in labor and equipment costs diverted from normal operations than other lower yield alternatives.

Recommendations

Public Works:

- A. On an annual basis, the Wastewater Superintendent and Public Works Director should evaluate the availability of recyclable scrap materials and perform a cost benefit analysis of recycling the accumulated unusable materials. Consideration may be given to allowing enough scrap to accumulate over time to warrant recycling, which may be over a period of years. Other considerations could be to have smaller recyclables picked up by other PW operations when they take their scrap to the recycler. If the yard needs to be cleared of unusable scrap material

and cost benefit of recycling is not favorable to the City, it should be auctioned with the condition that the buyer is responsible to pick up and transport the scrap materials sold.

Finance:

- B. Establish a formal procedure for evaluating the best method of disposal for recyclable scrap material.
- C. Implement this procedure for all scrap material currently being recycled to ensure this method of disposal is providing the most benefit to the City.

Management's Response

Public Works:

- A. Concur with recommendation

Responsible Party: Wastewater Superintendent

Agreed Upon Implementation Date: 12/31/2021

Finance:

- B. Staff will conduct an analysis over the next year to determine the most effective disposal method in terms of overall benefit to the City. Emphasis will be on maximizing efficiency while ensuring the highest return possible, whether recycling through a scrap sale or through Ameriwaste with our existing refuse/recycling contract.
- C. Staff has three choices for scrap disposal. The first choice is to continue to utilize recycling for all scrap material that qualifies, netting some small value of revenue to the city. The second choice is recycling through Ameriwaste and the third is disposal through Ameriwaste. Staff will conduct an analysis over the next year to determine the most effective disposal method in terms of overall benefit to the City. Staff will also take into consideration employee cost to prepare and dispose/recycle scrap as part of the net benefit.

Responsible Party: Executive Director Finance and Project Management

Agreed Upon Implementation Date: 12/31/2022

Priority: Medium

Finding #5: There are no city level policies or procedures to guide departments in managing and selling scrap materials to a recycling company.

Documented policies and procedures assist employees and management in performing the daily operational tasks of an organization, and outline what employees must do or not do, directions, limits, principles, guidance for decision making. They also formally establish accountability, provide orientation and reference material for employees, and document the institutional knowledge of existing staff in case of employee turnover or extended absences.

Although departments were advised to sell scrap directly to a recycling company, no formal guidance was provided for determining when scrap should be recycled versus auctioned, how to utilize recycling effectively and efficiently as method of disposal, or how this process was to be conducted. It was left up to the individual directors to establish their own procedures, internal controls and approval process.

As operations expand with the growth of the City, the potential for recycling scrap materials will likely also increase. Therefore, it is important that standardized processes and procedures be implemented in all departments that recycle scrap material to ensure benefit from this activity is maximized.

Recommendations

City Manager's Office

- A. A city level administrative policy should be developed to document guidance for departments on the collection and sale of recyclable scrap materials.
- B. Ensure that the policy on the collection and sale of recyclable scrap materials is communicated and implemented.
- C. Management that recycles scrap materials should be identified and required to document and implement procedures that outline the collection and sale of scrap generated in their operations in accordance with the city policy.

Finance

- D. Update the Purchasing Manual to include guidance on sales of scrap materials and provide additional guidance for procedures as needed.

Management's Response

- A. These items will be considered for inclusion in the Purchasing Policy update.
- B. All policy changes will be communicated to departments and assigned to relevant employees for review.
- C. This will be addressed in the update to the Purchasing Policy.
- D. These items will be considered for inclusion in the Purchasing Policy update.

Responsible Party: Executive Director Finance and Project Management

Agreed Upon Implementation Date: A. C. D. March 31, 2022, B. June 30, 2022

Priority: Medium

Finding #6: Improvements in the security and tracking of accumulated scrap materials could be made.

Distinguishing recyclable material from salvage material allows for easier assessment of volume accumulated for recycling and securing higher value recyclable material guards against misappropriation.

The scrap material kept at the Wastewater plant is predominately kept for parts salvage and made of steel, which is not a high value metal. Once all useable parts are salvaged, the remaining steel can be recycled. Both recyclable and salvage materials are kept in the same location, and most are relatively large requiring a crane to be moved. Distinguishing between salvage materials versus those ready to be scrapped is not easy since they are not tagged or separated. Salvageable materials may be overlooked and not utilized if not distinguished from scrap and make assessing the volume of scrap material accumulated for recycling more difficult.

There have been times in the past that scrap copper wire has been collected at the Wastewater plant due to infrequent maintenance and repairs. Because copper wire is a high value recyclable material, the practice has been to store any copper collected inside the shop which all employees have

unrestricted access to. This improves security over theft from the outside but does not mitigate the risk of employee theft.

Recommendations

- A. Distinctly separate the unusable recyclable scrap material from that which still has salvage value. If physical relocation is not feasible due to the weight/size of object unusable scrap should be marked somehow to easily distinguish from salvage scrap.
- B. In the rare cases where copper wire scrap material is collected, it should be secured in a way that restricts access to a limited number of employees.

Management's Response

- A. Concur with recommendation.
- B. Lockable bin will be provided and monitored, and photo documented quarterly to ensure material volume is secured.

Responsible Party: Wastewater Superintendent

Agreed Upon Implementation Date: December 31, 2021

Priority: Medium

Finding #7: Some recyclable scrap materials are being disposed of in the landfill waste dumpster.

Management should ensure that careful consideration be given to recycling scrap materials prior to being disposed of as waste.

Streets and traffic operation replaces 25 to 30 sign posts each month due to normal wear or other damage. The current practice is to place these in the waste dumpster provided by Hill Waste Services to be taken to the landfill. A local recycler confirmed that galvanized steel is recyclable at a current rate of 7 cents per pound. According to Public Works staff, these signposts weigh 16 pounds on average each so the potential revenue from recycling these could be approximately \$400 annually. There is space in the enclosed yard to separately accumulate the posts and they can be loaded and delivered to the recycling company along with the aluminum signs with very little additional time or effort. Although the revenue from recycling the posts is not significant, it would increase benefit to the City if taken to recycling along with the aluminum signs.

The signs in front of the waste dumpsters indicate that one was for Recycled Steel and the other for Recycled Concrete. However, neither dumpster is intended for recyclable materials. According to management there is a general understanding among employees that these are for waste. However, the signs could cause confusion and employees, especially new hires, may place recyclable metal in the dumpster thinking it is going to be recycled.

Recommendations

- A. Galvanized steel signposts should be accumulated separately to recycle and taken to the recycling facility along with the aluminum signs.
- B. The contents of the waste dumpster for metal should be evaluated to determine if there may be other scrap material that is being taken to the landfill instead of being recycled. Dumpster contents should be spot checked periodically.

- C. The signs in front of the waste dumpsters should be changed to indicate that the dumpsters are intended for waste, not recyclables.
- D. Ensure that all employees that handle any kind of scrap materials are aware of what is and is not recyclable and what to do with the different types of scrap.

Management's Response

- A. Concur with recommendation.
- B. Concur with recommendation. Will provide additional materials identification training to staff to ensure proper segregation of recyclable materials.
- C. Concur with recommendation.
- D. Concur with recommendation.

Responsible Party: Streets & Stormwater Manager & Utility Maintenance Superintendent

Agreed Upon Implementation Date: Immediately

Priority: Medium

Finding #8: Controls in the process for collecting and securing the copper and brass materials before being prepared for recycling need to be standardized.

To minimize the potential for misappropriation or loss, high value scrap material should be collected timely and secured.

The scrap material generated by line repair operations is predominately high value copper and brass. For the past two fiscal years the revenue from recycling this material has averaged about \$2,500.

Once the material has been cleaned and separated from other non-recyclable scrap material it is placed in a barrel inside the inventory cage, which can only be accessed by key card. Access to the inventory cage is limited to the Superintendent, crew supervisors and the clerk that maintains the inventory. There is also a camera in the warehouse but has not been working since there was system upgrade some time ago. Having a working camera in this area is an added control that would be beneficial for security purposes.

The general practice is to collect recyclable materials from the job sites is to put it in a truck and bring it in to the shop. However, there is no formal requirement that these types of materials be gathered and turned in daily, when available. The scrap materials are generally cleaned and separated when they are brought in except when the crews come in late from a job. In that case, the materials usually are left on floor outside the cage but sometimes may be left in one of the trucks.

Recommendations

- A. Standard protocol for collecting recyclable scrap material should be established to ensure that any valuable recyclables generated from operations are brought into the shop at the end of each day.
- B. Recyclables that cannot be cleaned and separated when they are brought in should be placed inside the cage until they can be prepared and placed in the recycling container.
- C. The camera in the warehouse should be fixed and periodically checked to make sure it is in working order.

Management's Response

- A. Concur with recommendation.
- B. Concur with recommendation. A scale was purchased to weigh and log additions to secured storage bin and will be evaluated quarterly for appropriate action.
- C. Concur with recommendation.

Responsible Party: Utility Maintenance Superintendent

Agreed Upon Implementation Date: Immediately

Priority: Medium

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

The work has been concluded on the objectives of the Scrap Materials Handling Process Review. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. Auditing standards require a determination of whether the objectives of the audit were met. Based on the review conducted, the following was concluded:

Audit objectives were met in the following areas.

- Department procedures related to recycling scrap materials established by Public Works were documented and generally very good.
- Controls established by Public Works over the accumulation of recyclable scrap including using a locking bin and securing high value scrap within a restricted access area

Audit objectives were not met in the following areas:

- Departments selling scrap directly to a recycling company with only director approval does not comply with Code of Ordinance requirements for surplus property disposal.
- Citywide policies and procedures to provide guidance for the accumulation and selling of recyclable scrap materials do not exist.
- Selecting disposal methods based only expected higher proceeds does not account for the potential impact on efficient and effective utilization of resources.

With only an approximate amount of \$5,000 in recycling revenues per year, the disposal of scrap materials clearly does not currently significantly impact on the city. However, scrap material recycling is relatively new for the city and as it continues to grow, the level of recyclable material is likely to increase. The added benefit of recycling, aside from the potential for cost recovery, is the diversion of recyclable materials from the landfill to reduce space taken up in the landfill, disposal costs and greenhouse gas emissions. Implementing the recommendations identified in this audit can enhance operation of the City's recycling program.

We wish to thank the Public Works Director and staff for the assistance and the courtesies extended during the completion of this audit. Everyone who participated in this process were very helpful and open to potential improvements in the scrap handling process.

Signature on File

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ATTACHMENTS

Management Action Plan