

Memorandum



CITY OF DALLAS
(Report No. A11-005)

DATE: January 21, 2011

TO: Honorable Mayor and Members of the City Council

SUBJECT: Final Audit Report –
Sanitation Franchise Fee Audit of a Selected Solid Waste Collection
and Hauling Company

The Office of the City Auditor performed a Sanitation Franchise Fees audit of a Solid Waste Collection and Hauling Company. The audit identified \$165,147 in underpaid franchise fees. As a result of the audit, the company remitted \$165,147 to the City of Dallas on December 28, 2010.

The Office of the City Auditor works with the Department of Sanitation Services (SAN) in conducting audits of selected solid waste collection companies to determine if the companies are paying the correct franchise fees. The audit results were provided to and discussed with SAN management, but a written response was not requested. See Attachment A for the background, objective, scope, and methodology for this audit as well as a collection history for this audit and prior audits.

If you have any questions or need additional information, please contact me at 214-670-3222 or Carol Smith, Assistant City Auditor, at 214-670-4517.

Sincerely,

A handwritten signature in cursive script that reads "Craig D. Kinton".

Craig D. Kinton
City Auditor

Attachment

C: Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Thomas P. Perkins, Jr., City Attorney
Mary Nix, Director – Department of Sanitation Services

Background, Objective, Scope and Methodology

Background

On March 28, 2007, the City of Dallas (City) enacted a franchise program for the solid waste collection companies that operate in the City to pay franchise fees as rental compensation for the companies' use of the public ways (rights-of-way, streets, highways, and alleys) within the City. The franchise program is administered and enforced by the Department of Sanitation Services (SAN).

The following chart shows the history and status of identified audit findings and collections.

Comparison of Identified Audit Findings and Collections

Company	Audit Findings Identified	Audit Findings Collected / Resolved	Uncollected / Unresolved	Collection Status
A	\$ 9,963	\$ 9,963	\$ 0	
B	(6,859)	(6,859)	0	
C	83,721	72,908	10,813	City Attorney's Office
D	74,252	74,252	0	
E	8,410	4,200	4,210	Payment plan
F	225,808	88,552	137,256	City Attorney's Office
G	20,545	20,545	0	
H	23,815	0	23,815	SAN is researching
I	(11,801)	(11,801)	0	
J	51,633	51,633	0	
K	165,147	165,147	0	
Totals	\$ 644,634	\$ 468,540	\$ 176,094	

Source: Office of the City Auditor and Department of Sanitation Services records.

Note: Company C provided further information after the release of the initial audit report on September 25, 2009. As a result of reviewing the further information and extending the audit period another twelve months, the audit findings for Company C were reduced by \$105,612. Company E audit findings identified previously reported were updated for a payment agreement. SAN previously reported that the audit findings for Company H were collected.

Objective, Scope and Methodology

This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with the Fiscal Year 2010 Audit Plan approved by the City Council. This performance audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The audit objective was to determine if the Solid Waste Collection and Hauling Company (Company) paid the correct amount of franchise fees to the City. The audit period for the current audit was January 2008 to June 2010. To achieve the audit objective, we examined the Solid Waste Operator Franchisee Monthly Reports, billing reports and supporting documents, and City of Dallas SAN Invoices/Statements.

The audit results were discussed with and provided to the Company. The audit results were also provided to SAN management for subsequent billing and collection.