

OFFICE OF AUDIT AND CONTROL

City of Albany



Landfill Audit

April 2025

Dr. Dorcey Applyrs, Chief City Auditor
Shantal Plass, Deputy Chief City Auditor
Nasseem Coleman, Auditor

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Executive Summary

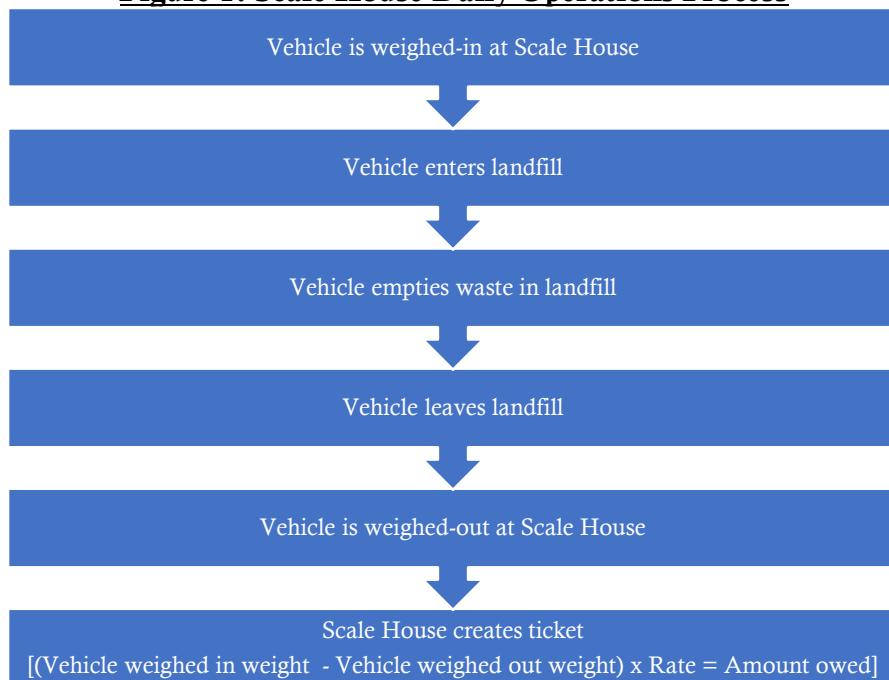
Background

On February 1, 2022, the Office of Audit and Control (OAC) submitted a Letter of Engagement to notify the administration of its intent to conduct an audit of the City of Albany (City) landfill's Scale House billing and collections processes and practices. This audit was initiated after the OAC was alerted that the landfill's scale house operators had demonstrated a pattern of accepting blank checks from customers and completing the checks. This raised concerns regarding internal controls and liability risks for the City. The audit was conducted to assess the landfill's day to day billing and collection processes, practices, and internal controls.

The City's landfill, known as the Rapp Road landfill, is a regional solid waste management facility owned by the City and operated by the City's Department of General Services. The landfill aims to provide relatively low-cost, reliable and environmentally sound waste disposal services to residents of more than a dozen communities. In 2023, the landfill generated \$3.6 million in revenue and is expected to bring in \$3.2 million in 2024. One of the landfill's major revenue contributors is the Scale House.

The Scale House is the landfill's office where all incoming vehicles with waste products must stop to be weighed before entering the landfill (weigh-in). All vehicles must stop to be weighted when leaving the landfill after disposing of their waste (weigh-out). The Scale House creates a ticket using the difference between the vehicles pre and post weight to calculate the amount owed for disposal services. In addition to creating the ticket, the Scale House also accepts payment. **Figure 1** outlines the Scale House's daily operations and processes.

Figure 1: Scale House Daily Operations Process



In 2014, the landfill was audited to assess its payroll activities, permitting process and the adequacy of the Scale House's internal controls and operations. That audit resulted in the following two findings: (1) the scale house lacks physical safeguards and (2) cash and checks were not properly secured at the time of the audit. According to a follow-up audit, both findings were addressed.

Objectives

The purpose of this audit was to evaluate the effectiveness, efficiency and reliability of the Scale House's billing and collection processes, procedures, and the accuracy of accounts. To conduct the audit, the OAC observed the current billing and collection processes and procedures and compared customers' 2023 transaction totals to scale house 2023 transaction totals per customer report. The audit objectives are as follows:

1. *Review strategy, governance, and management* – Understand the Landfill's overall billing and collections processes and procedures; review the roles and responsibilities of those who handle billing and collections; and review all software and software frameworks to manage billing and collections.
2. *Assess risk and compliance management* – Analyze billing and collections policies and standard practices to determine if there are checks and controls and are they being implemented.
3. *Verify the accuracy of accounts* – Ensure all financial transactions are recorded correctly and the information presented to the City and customers is reliable and free from errors or misstatements.

Methodology

The OAC completed the City of Albany Landfill audit using a multi-method assessment design, including a walkthrough, interviews, questionnaires, document reviews, and data analysis. These methods are further clarified in the sections below.

Walkthrough

The OAC completed an unannounced walkthrough of the City's landfill. During the walkthrough the OAC observed daily operations of the landfill and the Scale House's billing and collections practices.

Interviews

Interviews were conducted with City employees who play a role with the Scale House billing and collections processes and interact with the digital platform software. Interviewees include landfill customers and employees from the landfill, Scale House, Treasurer's office, and Information Technology department.

Questionnaires

Questions were sent via email as a follow-up to the walkthrough and interviews.

Document Review

OAC reviewed documents related to the priority areas identified in the audit's objectives. Past audit reports were conferred to help OAC gauge where the City stands in comparison.

Quantitative and Qualitative Data

OAC requested and received the Scale House's 2023 financial activity report. This report listed all of the tickets created in 2023 including dates, operator, customer name, reference number, vehicle number, transaction type and amount. OAC also selected a sample group of eleven of the landfill's seventy-nine customers in 2023 and requested their trash deposit transaction history for that year. Data was requested to include date, amount, and transaction type. OAC received five responses.

Findings

- **Finding 1.0:** The Scale House operator, a city employee, accepts and fills out blank checks on behalf of customers. This practice creates opportunities for check fraud.
- **Finding 2.0:** There are limited controls in place to ensure daily revenue is being recorded accurately.
- **Finding 3.0:** At the time of the walkthrough, there were no controls in place for secondary access to the landfill's safe.
- **Finding 4.0:** There is a breakdown in communication between Landfill employees and the administration.
- **Finding 5.0:** There are inconsistencies in how Scale House operators identify, register, and process new vehicles.
- **Finding 6.0:** Discrepancies were found between the financial reports provided by Scale House customers and City records.

Findings and Recommendations

Finding 1.0: The Scale House operator, a city employee, accepts and fills out blank checks on behalf of customers. This practice creates opportunity for check fraud. Under no circumstances should City employees fill out blank checks on behalf of customers. This practice presents the risk for check fraud. Some customers who frequent the landfill several times a day submit signed blank checks for payment. At the end of the day, the Scale House operator totals the customers' tickets and fills in the amount owed to the City on the check. According to the Scale House operator, the customer's information is filled out in front of the customer after they submit the blank check. However, we were unable to verify this practice.

Recommendation 1.1: Customers who prefer check payments should be required to mail or drop off completed checks to the City Treasurer's Office

To prevent the risk of check fraud the City should only accept completed checks. Customers who prefer check payments should be required to mail or drop off completed checks to the City Treasurer's Office. Consistent with current practices, invoices are sent to customers with their total amount owed. Customers have 30 days to make payments before late fees are incurred.

Finding 2.0: There are limited controls in place to ensure daily revenue is being recorded accurately. Tickets generated by the Scale House operator document accrued revenue for each waste deposit. Ticket creation is solely dependent on the Scale House operator and is initiated after the operator enters information into the system (Waste Works) and is created after the operator clicks "Finish." If the operator does not click "Finish," a ticket will not be created. In the event an operator decides not to generate a ticket or forgets to generate a ticket the City loses revenue.

Recommendation 2.1: Install a traffic counter device

We recommend the City install a traffic counter device. This device would be used to verify the number of vehicles entering the Scale House to be compared against the amount of transactions recorded. A daily traffic count report should be submitted to the Treasurer's office for reconciliation. This would ensure accurate revenue bookkeeping practices for all trash deposits.

Finding 3.0: At the time of the walkthrough, there were no controls in place for secondary access to the landfill's safe. The landfill's safe stores customer check payments, which are deposited on a weekly basis. At the time of the audit, only the scale operator had the safe combination. This practice prevents safe access when the operator is absent. This became evident when the operator fell ill, leaving the City with no access to the safe. The combination has since been changed, and access has been shared with three employees on-site: the scale operator, site supervisor, and senior environmental engineering technician. The scale operator was also trained on proper access procedures.

Recommendation 3.1: Update standard operating procedures to include safe access policies and procedures

Develop and implement a formal written procedure outlining which personnel should have safe access and under which circumstances the combination should be changed. We advise changing the safe combination atleast every 6 months and after personnel changes to further reduce the risk of unauthorized access. At all times, atleast two designated staff members should have access to the safe combination.

Finding 4.0: There is a breakdown in communication between Landfill staff and the administration. According to landfill staff, the City upgraded the landfill's computer operating systems (Waste Works and Maintenance Pro) used for daily operations without informing or training the operators. As a result, the operators expressed that they lacked the ability to use the new system efficiently and correctly.

Recommendation 4.1: Conduct employee orientation and ongoing trainings

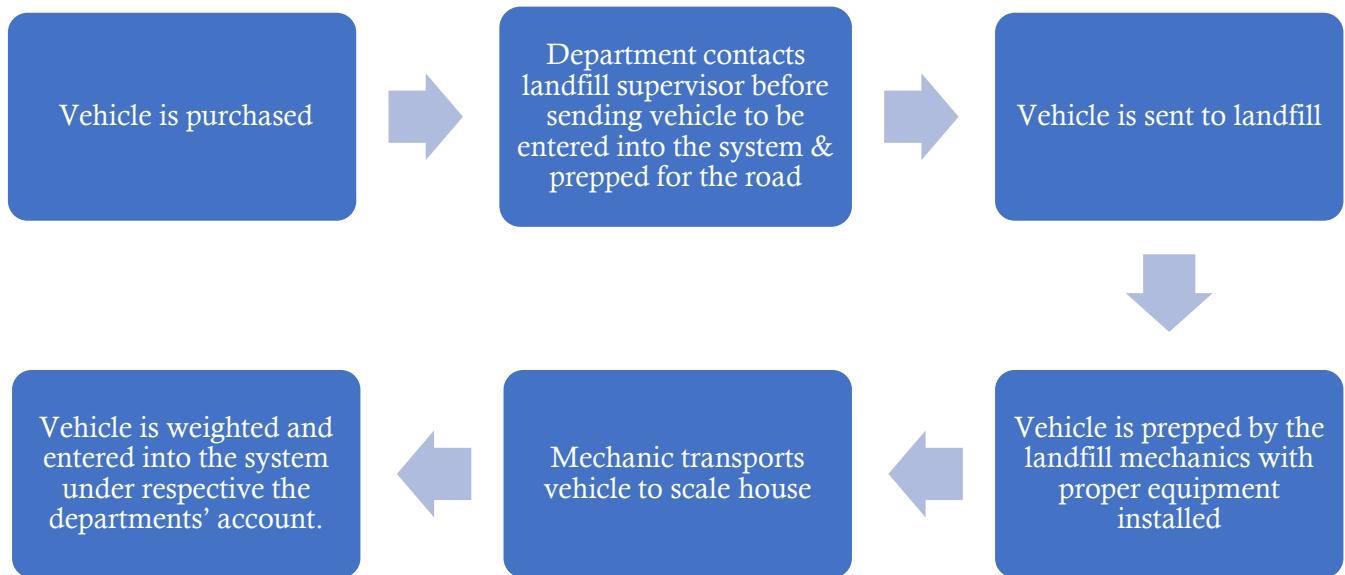
All Scale House employees should receive an orientation and ongoing trainging on all landfill computer operating and processing systems.

Recommendation 4.2: Conduct routine joint meetings with Landfill Staff and employees who manage Scale House collections

Routine meetings should be held with all scale house operators, supervisors, and employees who manage scale house collections to discuss delinquent accounts, updates to processes, policies and procedures and concerns.

Finding 5.0: There are inconsistencies in how Scale House operators identify, register, and process new vehicles. While the OAC was on-site, an unmarked vehicle approached the Scale House to be weighed-in. When the vehicle approached the window, the operator was unsure of the unmarked vehicle's origins. The supervisor on-site, identified the driver as an Albany Water Department (AWD) employee, prompting the operator to register the vehicle under AWD's account. Upon witnessing this, we later queried the process for identifying, registering and processing City vehicles. The process for identifying vehicles, explained, was different from what the OAC observed during the site visit. According to the operator, identifying, registering, and processing City vehicles should follow the steps outlined in **Figure 2** below. The process involves communication between departments and the landfill prior to registering vehicles to ensure accurate identification of City vehicles. Not following the correct process could result in incorrectly identifying and registering vehicles under City accounts. This creates the risk of misappropriating City funds, as trash deposits would be recorded as a City expense.

Figure 2: Registration of City Vehicles



Recommendation 5.1: Create a written policy for identifying and adding vehicles to City accounts.

Create a written policy outlining the steps to identify and add City vehicles. We recommend including as part of the steps, the completion of a form requiring designated department staff sign off.

Finding 6.0: Discrepancies were found between the financial reports provided by Scale House customers and City records. The OAC requested data from eleven of the seventy-nine landfill customers in 2023 and received five responses. Of the five customers that responded, one had financial activity consistent with City records. The remaining four customers' financial activities did not correspond with City records. There were inconsistencies with recorded financial transactions for both customers and the City.

Recommendation 6.1: Develop a process for sending out monthly or quarterly statements to customers.

Develop and implement a standard operating procedure for issuing routine financial statements to landfill customers on a monthly or quarterly basis. We recommend the statements include customer activity, charges, and payments.

Appendix A:

Department of General Services Response

Kathy M. Sheehan
Mayor



Sergio P. Panunzio CPWM.CPM.
Commissioner

Frank W. Zeoli
Executive Deputy Commissioner

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March 13, 2025

Mr. Nasseem Coleman Auditor
City of Albany
Office of Audit and Control
24 Eagle Street
Albany, NY, 12207

Dear Mr. Coleman,

I trust this letter finds you well. It has come to my attention that there are findings from the recent audit that require clarification and explanation. As Commissioner of the Department of General Services, I am committed to ensuring transparency and addressing any concerns raised during the audit process.

First and foremost, I would like to express my gratitude to the audit team for their thorough examination of our operations. We value the opportunity to improve and grow through constructive feedback.

Upon review of the audit findings, I would like to provide detailed explanations for each identified issue:

Audit finding 1.0: The Scale House operator, a city employee, accepts and fills out blank checks on behalf of customers. This practice creates opportunities for check fraud.

We acknowledge and agree with the auditor's findings. To address the issue and improve our procedures, we have taken the following actions:

- The longstanding employee has abruptly retired and is no longer employed by the city.
- Our landfill policy has been reviewed and adjusted to prevent this practice from reoccurring.
- All Scale House staff have been retrained, and the new procedure has been clearly communicated.
- Please find attached the revised herewith Landfill Standard Operating Procedure 09– Scale House Operations, I direct you specifically to Section A (14).

Audit finding 2.0: There are limited controls in place to ensure daily revenue is being recorded accurately.

We appreciate the auditor's review and remain committed to maintaining transparency and compliance in our operations. To further enhance our procedures, we have implemented the following measures:

- Installation of a camera at Scale House to improve monitoring.

- Acknowledgment that not all vehicles entering the Scale House are engaged in dumping activities.
- A daily financial statement report is forwarded to the Treasurer's Office. This report, when compared with Scale House entry records and payment checks, supports an established reconciliation process to ensure accuracy and accountability

Audit finding 3.0: At the time of the walkthrough, there were no controls in place for secondary access to the landfill's safe.

We acknowledge and agree with the auditor's findings. To address the issue and enhance our procedures, we have taken the following actions:

- The Fiscal/Revenue Management Landfill Policy has been reviewed and adjusted to prevent this practice from recurring.
- Only three (3) employees are now allowed to access the safe.
- All Scale House staff have been retrained, and the new procedure has been clearly communicated.
- Please find attached the revised herewith Landfill Standard Operating Procedure 10– Fiscal/Revenue Management, I direct you specifically to Section G

Audit finding 4.0: There is a breakdown in communication between Landfill employees and the administration.

At this time, we cannot explicitly agree or disagree with the auditor's findings, as we are unclear on the specific entity to which the finding pertains—whether it involves the City's Administration, Information Technologies (IT) Department, Department of General Services (DGS), or Administrative Services.

However, we believe the issue does not originate from the City's administration, IT department, or its agents. Instead, the challenge arises from the autonomous nature of the department-specific software, WasteWorks®, which independently deploys updates via a push mechanism.

Push technology delivers updates in real-time directly without requiring manual intervention. While this enhances efficiency, it often necessitates staff retraining and workflow adjustments to adapt to system changes.

The City's IT department provides support and training whenever a push update is identified. However, in many instances, the web server does not terminate the connection or notify the client when an update is deployed, further complicating adaptation efforts.

We acknowledge these challenges and remain committed to developing a comprehensive plan to enhance business continuity and training protocols in response to future system updates.

Audit finding 5.0: There are inconsistencies in how Scale House operators identify, register, and process new vehicles.

We agree with Recommendation 5.1. However, we are unclear on Finding 5.0, as we are unaware of the city recording trash deposits as a city expense. If no expense is recorded, misappropriation of funds would not be applicable. However, if trash deposits are made without charging a hauler, it would constitute lost revenue for the city.

Regarding landfill operations, adjustments are necessary when a client acquires a new vehicle or, due to mechanical issues, must use an un-tared vehicle while holding an existing account or permit. To ensure accuracy and compliance, Scale House staff follow this established procedure:

- The truck enters the scale for an initial gross weight, and the ticket remains unfinished.
- The truck proceeds to unload its contents.
- Upon exiting, the net weight is recorded.
- At this point, the tare weight is determined and affixed to the permit in WasteWorks®.

This process ensures accurate weight tracking and compliance with operational requirements.

Moreover, the city department's vehicles are not registered but recorded for DEC Tonnage report reports. This process ensures accurate weight tracking and compliance with operational requirements.

Finding 6.0: Discrepancies were found between the financial reports provided by Scale House customers and City records.

Cannot fully respond to Finding 6.0. Without reviewing the paperwork of the companies that are cited, we cannot agree or disagree with the finding.

The Office of the Treasurer's Protocol has always been submitting invoices to customers on a daily basis and sends a monthly statement, inclusive of late fees (if any) to customers.

WasteWorks® serves as the system of records for Treasury Staff, and customer balances are reconciled between payments received and the data collected from Landfill's software.

Discrepancies between what a customer is billed and what WasteWorks® has in its records are often attributed to two common occurrences: a dispute in the details of a given transaction (i.e. disagreement overweight, material, date, etc. or the application of payments to outstanding invoices).

Treasury's policy is if they receive payment from a landfill customer without proper invoice identification with said payment, that it is applied to the oldest outstanding invoice(s), with the monthly invoice detailing the City's allocation of payment. Any disagreement over the transaction as it pertains to the operation of the landfill is referred to the appropriate landfill staff to review data entry, scale house information and cameras.

To provide further clarification, the Treasurer's Office would need to see who the five selected customers were to determine if they were customers who were actually invoiced by Treasury or customers who pay at the scale house. Also knowing what month's statement was in review would allow us to better respond to the finding.

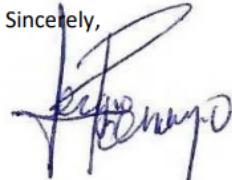
In conclusion, it is essential to note that we take these findings seriously and are committed to addressing them promptly. We have already begun implementing corrective measures to rectify the identified issues and prevent recurrence in the future. These measures include changes in processes and policies.

Furthermore, I have attached supporting documentation and evidence to substantiate our explanations and demonstrate our commitment to compliance and continuous improvement.

I want to assure you that the Department of General Services Landfill remains dedicated to upholding the highest standards of integrity, transparency, and accountability. We appreciate the opportunity to address the audit findings and welcome any further inquiries or feedback.

Thank you for your attention to this matter. Should you require additional information or clarification, please do not hesitate to contact me directly.

Sincerely,



Sergio Panunzio, CPWM, CPM
Commissioner Department of General Services

CC: K. Sheehan, Mayor
F. Zeoli, Deputy Commissioner DGS
Dr. Dorcey Applyrs, Chief City Auditor

Appendix A: Office of the Treasurer's Response



CITY OF ALBANY
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KATHY SHEEHAN
MAYOR

DARIUS SHAHINFAR
TREASURER

April 18, 2025

Dorcey Applyrs
Albany Chief City Auditor
City Hall, 24 Eagle St.
Albany, NY 12207

Re: Landfill Audit

Chief City Auditor Applyrs,

In response to the Office of Audit and Control's February 2025 Landfill Audit, please accept the below from both the Landfill/DGS and the Treasurer's office:

Agree with Finding 1.0 and Recommendation 1.1. In addition it should be pointed out that this is only for COD customers who should be able to pass a credit check. For those who cannot pass a credit check, they should be running a Credit Card for each transaction.

Agree with Finding 2.0 and partially agree with Recommendation 2.1 in that the traffic count report should be submitted with transactions. Compliance with this procedure would fall under the ambit of the Auditor's role and office.

Agree with Finding 3.0 and Recommendation 3.1.

Agree with Recommendation 4.1 and 4.2, but we are unclear on the underlying finding because we don't know to whom this finding refers to in the City (IT? DGS? Admin Services?).

Agree with Recommendation 5.1. Unclear on Finding 5.0, because we are unaware of City recording trash deposits as a City expense. If no expense is being made, funds can't be misappropriated. However, if trash deposits are made without charging a hauler, it would certainly be lost revenue to the City.

Finding 6.0 identifies several non-material discrepancies. Upon receipt of the underlying documentation, the response to the individual discrepancies is as follows:

The \$100, \$200 and \$300 discrepancies are because Permit fees are in increments of \$100 and they were formerly not billed through Waste Works (they are now). Checks were sent to the Treasurer's office and were entered into the GL revenue account as revenue.

1. WMJ Keller & Sons:
 - a. \$400 in payments on 01/04/2023 were to pay for the Application & Permits ticket that was created on 12/22/2022.
2. Valley Energy:
 - a. \$300 sent from Valley Energy on 12/19/2023 were referenced in the Application & Permits ticket created on 01/04/2024.
 - b. \$454.22 was from the two ticket adjustments on 08/30/2023. From what we can tell, the origin field was wrong, and the corrected tickets were the two created on 09/07/2023. The new total was \$524.10, but since the original tickets were cash sales, they sent a check for the difference of \$69.88.
 - c. The remaining \$154.22 is the \$454.22 we credited them minus the \$300 they sent but weren't charged for until 2024.
3. Edgeco Environmental: There are \$765.70 in excess payments which can be accounted for with the four tickets from December 2022. Audit may not have received a transaction history from the company.

We agree with Recommendation 6.1 and believe it reflects current billing practices. The Office of the Treasurer's protocol has always been to submit invoices to customers on a daily basis and sends a monthly statement, inclusive of late fees (if any) to customers. WasteWorks serves as the system of record for Treasury Staff, and customer balances are reconciled between payments received and the data collected from Landfill's software.

Discrepancies between what a customer is billed and what WasteWorks has in its records are often attributed to two common occurrences; a dispute in the details of a given transaction (i.e. – disagreement over weight, material, date, etc. or the application of payments to outstanding invoices). Treasury's policy is if they receive payment from a landfill customer without proper invoice identification with said payment, that it is applied to the oldest outstanding invoice(s), with the monthly invoice detailing the City's allocation of payment. Any disagreement over the transaction as it pertains to the operation of the landfill is referred to the appropriate landfill staff to review data entry, scale house information and cameras.

Sincerely,

Darius Shahinfar
Albany City Treasurer

Appendix A:

Office of Audit & Control Response



CITY OF ALBANY
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MEMORANDUM

To: **Kathy M. Sheehan, Mayor**
Darius Shahinfar, City Treasurer

From: **Dr. Dorcey Applyrs, Chief City Auditor**

Date: **April 23, 2025**

RE: **Landfill Audit Report Draft – DGS and Treasurer’s Office Response**

The Office of Audit and Control (OAC) would like to express its gratitude to City leadership and the respective departments for their continued cooperation throughout the audit process.

The OAC has reviewed the formal response from the Department of General Services (DGS) and Treasurer’s Office to the draft landfill audit report. We acknowledge and commend the following steps DGS has taken to address the audit findings:

- Reviewing the landfill policy and implementing effective adjustments.
- Installing a camera at the Scale House to enhance daily traffic monitoring.
- Reviewing the Fiscal/Revenue Management landfill policy and making adjustments to improve safe access controls.
- Recognizing the adaptation challenges associated with WasteWorks, an autonomous software, and committing to a comprehensive plan to strengthen business continuity and training protocols in anticipation of future system updates.

The OAC would like to address some of the comments in the responses provided. Please see our remarks below.

Recommendation 2.1 The daily financial statement report is based on the tickets generated by the Scale House operator. As stated in Finding 2.0, “in the event an operator decides not to generate a ticket or forgets to generate a ticket,” the daily financial statement will not reflect the missed

transaction; hence, the amount of transactions reported would be inaccurate. A traffic count is necessary to verify the accuracy of the amount of transactions on the daily financial statement report. With DGS's installation of cameras, a traffic count can now be provided. Therefore, we amend our recommendation for DGS's management to conduct scheduled sampling of Scale House footage periodically to obtain the landfill traffic count and compare it against the daily financial statement report to verify the accuracy of the transaction count.

Finding 4.0 Based on conversations with Landfill staff, it was communicated that software changes are initiated by Administration. However, these changes are not always effectively communicated. DGS's response contradicts staff's assertions regarding who initiates software changes, indicating a misunderstanding. This supports the finding of a communication breakdown. In light of DGS's response, we further recommend that the administration first assess and determine who is responsible for initiating software changes and who is accountable for providing staff training following their implementation, and clearly communicate this information to Landfill staff.

Finding 5.0 This finding stands with some revisions. Based on the responses received, it was brought to our attention that trash deposits made by City vehicles are not recorded as City expenses. Instead, these deposits are recorded solely for DEC tonnage reporting purposes. Therefore, if a vehicle is incorrectly registered under a City department account, it would not pose a risk of misappropriation of funds, but could result in a loss of revenue for the City.

Recommendation 5.1 As elaborated, Finding 5.0 pertains to the identification, registration and processing of new City vehicles. The established procedure, as mentioned in DGS's response, does not address Finding 5.0. Therefore, our recommendation to create a written policy outlining the steps to identifying and adding City owned vehicles to City accounts remains in place to mitigate the risk of revenue loss.

Thank you,



Dr. Dorcey L. Applyrs
Chief City Auditor
Office of Audit and Control
City of Albany, New York

CONTACT

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