

INTERNAL AUDIT REPORT FOR

Commercial Solid Waste

Department of Support Services
Audit Plan Year 2025

June 3, 2025

GWINNETT COUNTY
INTERNAL AUDIT DIVISION

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Table of Contents

Background & Scope.....	4
Assessment.....	4
Recommendations.....	5
Other Considerations.....	7
Exhibit A: Summary of Audit Procedures	8
Exhibit B: Self-Reporting and Payment.....	9

Background & Scope

Businesses in Gwinnett County (the County) must use Commercial Solid Waste Service Providers (CSPs) authorized by the Board of Commissioners (BOC) to haul dumpster waste to landfills. The County's Solid Waste Section (the Section) within the Department of Support Services oversees CSP authorization and regulatory fee collection. CSP activities are governed by operational guidelines contained in the Gwinnett County Code of Ordinances, Section 82 (the Ordinance). Key provisions within the Ordinance include collection and disposal responsibilities, surcharges, and minimum requirements for service providers. To be authorized as a CSP, service providers must submit an application that demonstrates compliance with the Ordinance. The County grants authorizations for a period of one year, then CSPs must reapply. At the end of each calendar quarter, CSPs must self-report quarterly revenues and tonnage of waste collected. The County then bills each CSP a 3% regulatory fee of reported revenue, with payment due within 30 days of the invoice. Authorized service providers reported approximately \$100 million in revenue, amounting to \$3 million in collected fees during the audit period of January 1, 2023, to December 31, 2024. Management's key objectives for commercial solid waste are as follows:

- CSPs are authorized and comply with the Ordinance.
- CSPs report accurate revenue figures in a timely manner.
- CSPs are invoiced for accurate regulatory fees based on reported revenue.
- CSP collections on account remain current.

The purpose of this audit was to assess compliance with key guidelines and evaluate the adequacy and effectiveness of management's control activities that are designed to provide reasonable assurance of achieving the objectives. Internal Audit (IA) conducted this audit in accordance with the *Global Internal Audit Standards* (Standards). The Standards require that we plan and perform the audit to identify and evaluate sufficient information to support engagement results. We interviewed employees, observed certain control activities, and reviewed business documents on a sample basis for the audit period. We believe the evidence provided a reasonable basis for our assessment. See **Exhibit A** for a summary of our audit procedures.

Assessment

Management's control activities may not provide reasonable assurance of achieving one or more objectives. We made four recommendations to improve the design or operational effectiveness of controls. We found no evidence of abuse or improprieties. Specific recommendations for improvement follow. These recommendations may benefit from updates to the Ordinance.

Recommendations

1. Self-reported revenues were not supported by documentation.

Currently, CSPs do not submit supporting documentation for the revenue they self-report. Each CSP self-reports quarterly data through the SAP CRM portal on the Section's website. They must enter the number of customers served in the County, tonnage collected, and gross revenue. The Section does not require supporting documentation from CSPs, and there are no controls in place to verify the accuracy or completeness of self-reported revenue. The Ordinance allows the County to ask for records or audits of CSP books, but the County does not currently do this.

RECOMMENDATION

The CSP application or agreement should require CSPs to submit statements of gross customer billing activity. The Section should agree this data to the gross revenue reported. The Section could seek guidance from Accounting in establishing a standard format for billing reports and reconciliation procedures. Also, ask CSPs to submit audited (if available) or unaudited financial statements annually and compare the financial statements to the quarterly data they reported.

Management Response

Support Services will work with senior leadership and the Law Department to review and update relevant portions of the County's Solid Waste Ordinance to address the recommendations in this report. Solid Waste will require the haulers to provide unaudited financial statements on an annual basis. Solid Waste will work with the Accounting team in Finance to establish a standard format for billing reports and reconciliation procedures. This requirement will be added to the 2026 CSP application.

2. Late fee policies were unclear.

Within the Section, two full-time employees oversee the commercial solid waste management program. Currently, there are no formalized operating standards or procedures, but the Section operates to be compliant with the County Ordinance. The Ordinance lays out requirements for CSP authorization, but it lacks specificity for approval timing, billing, collections, late fees, and ongoing compliance enforcement. IA reviewed quarterly reporting and billing data for each CSP for 2023 and 2024. This data included 144 quarterly submissions, totaling approximately \$3 million in regulatory fees and \$21,000 in late fees.

IA confirmed, using SAP data, that all CSPs paid their operating fees each quarter, apart from two instances out of 144 (1%). However, enforcement of timely reporting was inconsistent. During testing, IA noted that there were 49 late submissions or payments out of 144 (34%). Eleven out of the 49 late submissions (22%) were assessed late fees (see **Exhibit B** for Self-Reporting and Payment). However, late fee policies were not outlined in the Ordinance or CSP agreements.

RECOMMENDATION

CSP agreements should outline late fee policies. The Section should clarify and document who has the authority to waive late fees, along with what circumstances justify waivers and how the

justification is retained. The Section should consult with the Law Department for guidance regarding late fees.

Management Response

In line with the Ordinance updates, Support Services will work with senior leadership and the Law Department to develop guidelines relating to late fees and disclosures, including clarifying who has the authority to waive late fees, along with what circumstances justify waivers and how the justification is retained. Solid Waste will develop a guideline for the CSP application packet to define the quarterly reporting process, paying the franchise fee, and late fee assessments. A pre-application meeting will be held with potential CSPs to discuss the application process to include the quarterly reporting process, paying the franchise fee, and late fee assessments.

3. CSP application deadlines may not allow enough time for approval.

CSPs submit applications by October for authorization to operate the following year. Commercial hauler applications include both qualitative and quantitative information about the CSP such as the type of business, estimated annual revenue, proof of valid insurance, fleet inventory, a letter from a landfill, certificates from the Georgia Secretary of State as well as Georgia Department of Natural Resources, and affidavits signed by authorized personnel. CSP applications are reviewed by the Section and then approved by Purchasing, Law, and the BOC. CSPs must be approved by the BOC prior to the end of the current calendar year to maintain authorized status. IA reviewed 2023, 2024, and 2025 applications for appropriate CSP authorizations. During the audit period, there were a total of 54 applications across the three years, representing 22 unique CSPs. All 54 commercial hauler applications were submitted around or before the deadline. However, 21 out of the 54 applications (39%) were approved after January 1, and sometimes they were not reviewed by Purchasing or Law until after BOC approval. This timing could potentially delay waste pick-up or result in unauthorized haulers conducting business in the County.

RECOMMENDATION

The Section should evaluate whether the October deadline allows sufficient time for review and approvals. The Section should also establish and document a standard timeline for application review and approvals, consistent with Purchasing requirements.

Management Response

Support Services will work with senior leadership and the Law Department in line with any relevant Ordinance updates to propose a new application schedule. Tentatively, Solid Waste will start sending out the CSP applications before July 15, 2025, and requiring the CSP applications to be submitted by the end of August 2025. This would allow time for the applications to be reviewed and approved, consistent with Purchasing requirements, prior to the end of the year. A pre-application meeting will be held with potential CSPs to discuss the application process and submission date.

4. Non-compliant CSPs may go undetected (previously identified by management).

Non-compliance with the Ordinance may involve improper waste disposal or unauthorized CSP operations, among other violations. Currently, the Section relies on the annual application process to promote disposal compliance by, for example, requiring letters from landfills as proof of CSP disposal capabilities. Complaints are the only means of detecting violations, and the Section noted

that complaints occur infrequently. Without other controls in place, violations of the Ordinance may go undetected and result in safety, environmental, and sanitation risks.

RECOMMENDATION

The Section should seek data and engage other departments as needed to increase opportunities for preventing and detecting non-compliance. For example, establish a process to use business permit or property tax data to identify solid waste haulers operating in the County, and trace businesses to CSP approvals. Work with Planning and Development's Code Enforcement Division to evaluate the feasibility of verifying CSPs for certain types of businesses as part of routine site visits or business license checks.

Management Response

Support Services will establish controls for preventing and detecting non-compliance with the Ordinance, including any applicable updates to the Ordinance adopted by the Board of Commissioners. To develop potential controls, Solid Waste has met with key members of the Department of Planning and Development. We concluded they could implement a commercial hauler verification during the business' initial or annual license renewal. A 2-part question could be added to Accela: Do you utilize a commercial solid waste hauler? Select the commercial solid waste hauler you utilize (this would be a drop down with our current CSP). If they respond with NO, then they fill in the blank with a response. The response would be identified in Accela. Solid Waste will contact any identified unauthorized CSP informing them they are out of compliance with the County Ordinance.

If approved, a temporary CSP Application could be developed for unauthorized CSP to complete for the remainder of a calendar year. Then they would renew during the annual CSP approved by the Board of Commissioners. If an unauthorized CSP fails to apply, code enforcement will be contacted to send a Notice of Violation to the unauthorized CSP. The temporary CSP Application could be implemented for the remainder of 2025 or the beginning of 2026.

Other Considerations

IA observed opportunities to potentially improve certain business activities. The advisory comments are for consideration only, and management is not required to provide written responses.

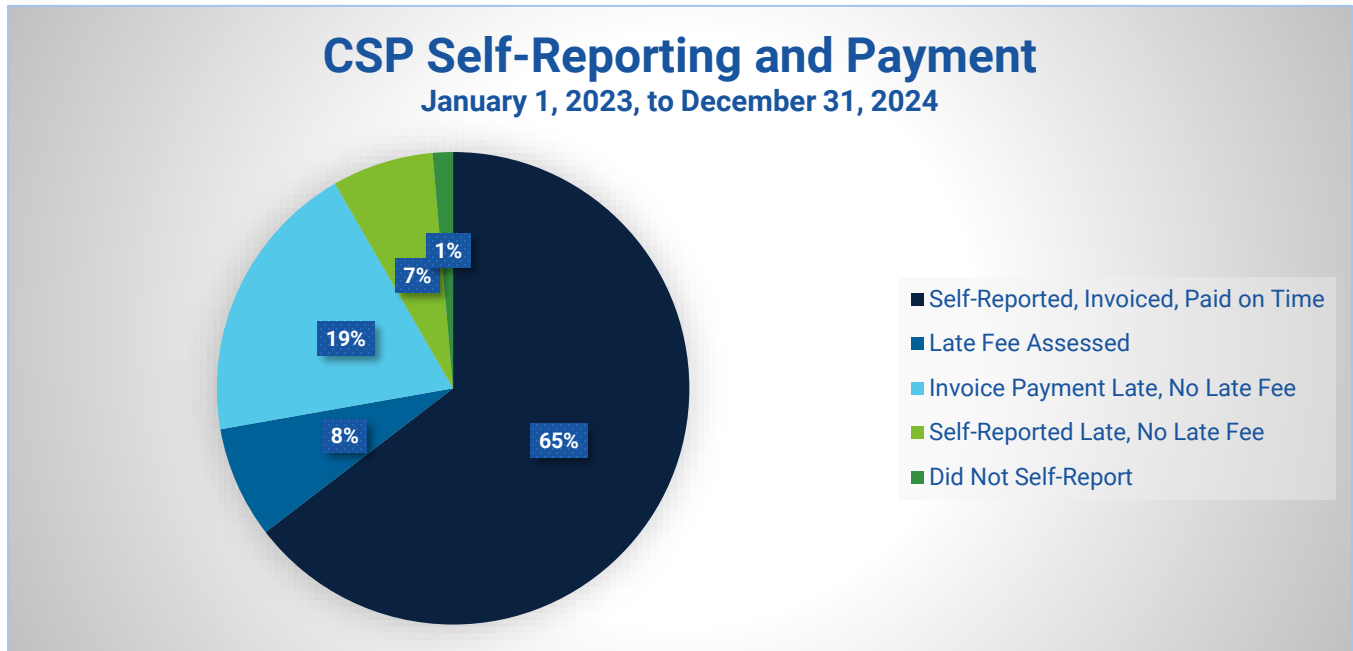
- The Ordinance says that CSPs cannot directly pass on the 3% regulatory fee to their customers. We were unable to determine if CSPs complied due to lack of visibility into their billing. The Section could consider periodically verifying a sample of invoices to ensure that CSPs are not charging businesses the regulatory fee.
- Some CSPs pay by check through the mail, which can result in delays. The Section should consider using a lockbox for physical checks and implementing an eCheck or ACH system. These options may increase payment processing efficiency and reduce potential delays.
- The Section should work with the Department of Communications to ensure the website is up to date with current CSPs after approvals each year. In addition, the Section could consider input from Communications regarding other viable CSP advertisement options.

Exhibit A: Summary of Audit Procedures

IA performed the following procedures to assess compliance with key guidelines and evaluate the adequacy and effectiveness of control activities:

- Completed walkthroughs with liaisons to confirm understanding of commercial solid waste program control activities and processes (**Recommendation 1**).
- Reviewed policies and the County Ordinance for key compliance requirements.
- Reviewed 144 CSP quarterly payments (100% of the population) to verify billing accuracy and late fee assessments (**Recommendation 2**).
- Reconciled each CSP account activity and applicable late fee data during the audit period to the SAP general ledger for completeness.
- Reviewed 54 CSP applications (100% of the population) to verify completeness and compliance with the Ordinance (**Recommendations 3 and 4**).

Exhibit B: Self-Reporting and Payment



Data Source: SAP CRM (Unaudited for Financial Reporting Purposes)

Self-Reported, Invoiced, Paid on Time – CSP met self-reporting and payment deadlines (65%).

Late Fee Assessed – CSP did not meet deadlines and was assessed late fees (8%).

Invoice Payment Late, No Late Fee – CSP paid invoice past 30 days, with no late fee assessed (19%).

Self-Report Late, No Late Fee – CSP self-reported after 30 days, with no late fee assessed (7%).

Did Not Self-Report – CSP failed to self-report and was not invoiced (1%).