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INTERNAL AUDIT REPORT

Landfill Cash Handling

2025

City of Sioux Falls Internal Audit Department
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Introduction

The Cash Handling Audit of the Landfill was included as a planned audit on the Three-Year Audit Plan. The purpose of the audit was to determine if cash collections are safeguarded, deposited in a timely manner, and accurately recorded. Controls are intended to provide reasonable assurance, but cannot guarantee, that fraud and errors will not occur. This audit focuses on controls to prevent fraud, waste, and abuse, as outlined in the Scale House Standard Operating Procedures, Finance's "Billing, Cash Receipts, and Collections" Policy, and best practices. This audit did not include an in-depth review of the independent payment systems which feed into the Landfill payment software (Paradigm), nor a detailed review of credit card processing systems, as these were reviewed in the Credit Card Processing Audit.

Background

The Sioux Falls Regional Landfill (Landfill), located at 26750 464th Avenue in Hartford, plays a crucial role in the efficient and responsible handling of waste for Sioux Falls and the surrounding communities. Waste haulers are licensed to transport waste from homes to the Landfill; residents can also bring their own loads for disposal. The Landfill serves a population of approximately 290,000 residents across Minnehaha, Lincoln, Turner, McCook, and Lake counties. The City of Sioux Falls (City) solid waste and recycling system is a private, open system and no municipal collection is done. The Landfill is an enterprise fund, and its fees, which are based on cost of service, generate revenues to fund the solid waste system.

Customers and licensed trash collectors enter the Landfill through one of the various inbound lanes. As they pull in each lane, their information is entered manually into the Paradigm software or an RFID badge is scanned and automatically fills in the relevant information based on known licensed hauler profiles. If they are paying a flat fee, the transaction takes place in the inbound lane, and they can pay with cash, credit card, or a check. Employees use Elavon card readers for credit card transactions, and these transactions require a signature if they are over \$75.00. If they are paying by weight, the scale records their initial weight, and they pay in the outbound lane after dumping and re-weighing.

At the end of each day, employees count their cash drawers and verify it matches the supporting documentation produced through Paradigm based on their specific user profiles. The outbound lane or full-time employee takes the cash drawers, counts all the money collected for the day, fills out a deposit slip, and takes the collected money to the bank. In the year-long population of deposits sampled, 307 deposits were made for a total of \$1,833,527.

Objective

To determine if cash collections are safeguarded, deposited in a timely manner, and accurately recorded.

Scope

The audit scope included a review of the current cash handling processes, reviewing a sample of deposit slips and supporting documentation, verifying physical security of assets, segregation of duties, proper reconciliation/monitoring, best practices, and policies and procedures as they are currently in place. The detailed testing of deposits covered the twelve-month period of June 1, 2024 through May 31, 2025.

Methodology

To test the operating effectiveness of internal controls over cash assets at the Landfill, we performed a number of activities, including the following:

- Gathered and reviewed relevant documentation including:
 - Finance's Billing, Cash Receipts, and Collections Policy
 - Landfill Standard Operating Procedures
 - List of payment types accepted and methods of payment
 - Change balance information and custodian of record
- Conducted onsite observation of physical access and security
- Conducted cash handling observations for compliance with City-wide policies, department procedures, and cash handling best practices including:
 - Reporting overages and shortages
 - Check acceptance
 - Credit card transactions
- Compared cash drawer contents to recorded transactions
- Compared change fund balance to transaction records
- Analyzed prepared deposits and compared it to receipts, transaction records, and cash handling best practices
- Observed reconciliation process completed by Finance
- Observed daily cash drawer deposit preparation
- Discussed refund and adjustment process and supporting documentation

Results

Policies and Procedures

The policies and procedures governing cash handling both City-wide and at the department level were reviewed to ensure they were current, cohesive, and in line with best practices. We found that department policies and procedures overall were current, detailed, and in writing to encourage compliance with best practices and City policy. Finance's Billing, Cash Handling, and Collections policy was last updated on June 27th, 2025 and the Landfill Standard Operating Procedure was last reviewed on June 18th, 2025.

Physical Security and Access

Overall, we found the Landfill provides satisfactory physical security and restricted access to cash assets. The adequacy of the Landfill's physical security and restriction to cash assets was reviewed through discussions with key personnel, on-site observations of the physical access to cash, and verification of the security of cash. All entrances to the scale house are locked and equipped with badge readers, security cameras cover the entrances and cash drawer locations, and the safe is located behind a door with an additional badge reader.

Deposits

A sample of deposits were tested to determine if they are performed by the Landfill in a timely, secure, and accurate manner. Overall, we found that deposit slips are filled out accurately, timely, and in line with City and department policies, procedures, and best practices. All of the deposit slip amounts matched appropriately to the deposit amount entered, posted in Munis, and reconciled by Finance. We noted one opportunity for improvement to increase transparency on who is filling deposit slips out and making the deposits.

Opportunity for Improvement: Include Employee Name or ID on Deposit Slips

A random sample of deposit slips and supporting documentation was selected for detailed testing. From this sample tested, all the reviewed deposit slips were filled out accurately and matched the corresponding Paradigm reports and reconciliation spreadsheet. However, none of the deposit slips tested in our sample included the name or ID of the employee who filled out the slips. There is an opportunity for improvement in the process of filling out deposit slips to increase efficiency and accountability.

See recommendation for opportunity 1.

Refunds and Adjustments

The refund and adjustment process was reviewed to determine if they are made in compliance with the policies, procedures, and best practices. We found that the Landfill maintains adequate documentation for refund/adjustments requests within the Paradigm software, including notes, comments, and receipts, as applicable. It was also determined that any refunds that are made after the day of the original transaction is processed through the lead scale house operator and Finance, in which Finance cuts a check to the customer.

Segregation of Duties

Cash handling processes were reviewed and key personnel interviewed to determine if cash handling duties are properly segregated to ensure compliance with policy and best practices for internal controls. Based on the size of the staff at the scale house, cash handling duties are properly segregated. Each employee working a lane gets their own change fund and signs in to the Paradigm software with their unique username and password; profiles are not shared. The outbound lane/full time employee recounts the cash from each lane to verify the amount is accurate. Although the outbound/full time employee also runs their own register and performs transactions, they are the only employee present at the end of the day to make the deposit. All of their activity is recorded on cameras, so if there's any discrepancy it can be reviewed by management. Finally, reconciliation is completed by a Finance employee who is not on site and takes no part in handling any of the cash.

Training

New staff are provided the Billing, Cash Receipts, and Collections policy and the Landfill Standard Operating Procedures for education purposes. The Billing, Cash Receipts, and Collections policy provides simplicity and clarity on how charges for City-provided services will be billed and collected. The primary objective of this policy is to ensure billing, receipting, and collection efforts are secure and efficient to implement best cash management practices with proper controls and ensure that customers are treated fairly across all departments. The Landfill Standard Operating Procedures provides more detail on how exactly to utilize the Paradigm software to process customers and conduct transactions. Staff are trained on-the-job and are notified when changes are made to the software or policy/procedures.

Recommendations and Management Response

- 1 | We recommend employees start writing their name or employee ID on deposit slips to increase transparency on who is filling slips out and making the deposits. We also recommend adding this step to the Scale House Standard Operating Procedure.

Management's Response: Management agrees with the recommendations suggested. Employee names are now required on each nightly deposit slip, and the SOP was updated with this additional step. These changes were made and implemented as of October 10th, 2025.

Management Representative Responding: Dawn Elsinger, Lead Scale House Operator.

Date of expected implementation: Already Implemented.

Conclusion

Based upon our review of the Landfill cash handling processes, it was determined that cash assets are securely stored and deposited in a timely and accurate manner. Several internal controls are in place to ensure the safekeeping of cash. Areas of success include the documented reconciliation process by a Finance employee that does not handle cash, a secure location with badge readers and surveillance cameras covering the staff working areas, and individually assigned cash drawers and Paradigm profiles. The recommendation we provided will ensure more transparency in determining which staff members are filling in the deposit slips and making the bank deposit.

Authorization

The Sioux Falls City Council approved this audit by resolution and was included as a Plan Audit in the Three-Year Audit Plan. The Internal Audit Division operates under the authority of Sections 32.010 through 32.025 of the Sioux Falls Code of Ordinances.

Statement of Independence

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. Internal Audit is accountable to an Audit Committee appointed by the City Council per Section 32.022 of the Code of Ordinances of Sioux Falls, SD.

Distribution of Report

This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record, and its distribution is not limited.

Performed By

Ryan Lauseng, Internal Auditor