



AGENDA MEMORANDUM

Action Item for the Audit Committee Meeting of July 29, 2025

DATE: July 11, 2025

TO: Roland Barrera, Audit Committee Chair

FROM: George Holland, City Auditor
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<p>Motion to accept FU24-004 Municipal Solid Waste System Service Charge Follow-Up Report</p>

CAPTION:

Motion to accept FU24-004 Municipal Solid Waste System Service Charge Follow-Up Report.

PURPOSE:

Discuss follow-up results for FU24-004 Municipal Solid Waste System Service Charge Follow-Up Report.

BACKGROUND:

As part of our annual audit plan, we conducted a follow-up of the AU21-002 Municipal Solid Waste System Service Charge (MSWSSC), audit dated December 12, 2023. The objective of the original audit was to determine if the haulers are remitting the MSWSSC as required by the Ordinance. The audit assessed the methods used for:

1. Remittance submissions provided by the sample group of large Solid Waste Haulers.
2. Other Solid Waste Haulers that directly pay at the scale.

With two of the three judgmentally sampled self-remitting Solid Waste Haulers, the report found no material discrepancies in the sample remittances observed. However, for the third remaining sample, the CAO identified discrepancies with Republic's invoices. The CAO concluded that Republic Services underreported its MSWSSC fees to the City, resulting in additional revenue during the audit scope period. For these unpaid charges, Republic Services submitted a check to the City for \$312,227 on December 26, 2023. Revenue reporting, which resulted in calculation errors of \$10,237 per month, was adjusted, and Republic Services submitted two additional checks to the City totaling approximately \$20,474.

The original report made recommendations for improvement in five areas to department management. The five areas included Verification of Remittances, Permit Applications, Tax Identification of Solid Waste Haulers, Contracts with Solid Waste Haulers, and General Ledger

Modifications of Revenue Accounts. The significant Subsequent Event(s) of the City receiving the \$312,227 remittance of unpaid revenue from Republic Services have been added as a follow-up item to ensure that control has been implemented to address the unpaid revenue owed to the City. Previously, the CAO audit fieldwork was halted due to the lack of electronic and customer information provided to the audit team by Republic Services, preventing an accurate and efficient testing of the remittance owed to the City.

ALTERNATIVES:

The Audit Committee may reject all or part of this audit report as presented.

FINANCIAL IMPACT:

N/A

FUNDING DETAIL:

N/A

RECOMMENDATION:

Staff recommends that the Audit Committee accept the FU24-004 Municipal Solid Waste System Service Charge Follow-Up Report

LIST OF SUPPORTING DOCUMENTS:

- FU24-004 Municipal Solid Waste System Service Charge Follow-Up Report