



Mayor
Ben White
Mayor Pro Tem
Dave Ruesink
City Manager
Glenn Brown

Councilmembers
John Crompton
James Massey
Dennis Maloney
Katy-Marie Lyles
Lawrence Stewart

Agenda
College Station City Council
Workshop Meeting
Thursday, February 11, 2010 1:30 p.m.
City Hall Council Chambers, 1101 Texas Avenue
College Station, Texas

1. Presentation, possible action, and discussion on items listed on the consent agenda.
2. Presentation, possible action, and discussion regarding a non-voting student representative on the City Council.
3. Presentation, possible action, and discussion of the City's role in the hosting and promotion of special community events.
4. Presentation, possible action, and discussion regarding a multifamily and commercial recycling feasibility study. This feasibility study evaluates the technical and financial feasibility of an expansion strategy for recycling services to multifamily and commercial solid waste customers in College Station.
5. Presentation, possible action, and discussion regarding the re-write of the City of College Stations Ordinance as it relates to Animal Control.
6. Presentation, possible action, and discussion regarding the performance, progress and future plans of the Bryan / College Station Convention and Visitors Bureau (CVB).
7. Presentation, possible action, and discussion regarding the development and construction of the transportation infrastructure represented in the Thoroughfare Plan to meet the demands of growth projected in the Comprehensive Plan.
8. Presentation, possible action, and discussion concerning the City Internal Auditor's Utility Customer Service Cash Handling Audit Report.
9. Presentation, possible action, and discussion of web logs (blogs) for interested city council members and city staff who want to engage with citizens on a variety of topics.
10. Council Calendar
 - February 12-14 AMCC Elected Officials Conference, Camino Real Hotel - El Paso, 8:00 a.m.
 - February 15 2010 Citizens University w/ Fiscal/Capital Projects in Council Chambers,

City Council Workshop Meeting

Thursday, February 11, 2010

	5:30 p.m.
February 16	IGC Meeting at BVCOG, 12:00 p.m.
February 16	SPECIAL WORKSHOP TOUR (Twin Oaks Landfill at 1:30 and Lynntech Facility at 3:30 p.m.) Meeting Location - City Hall
February 22	2010 Citizens University at Police Department, 5:30 p.m.
February 23	Council Transportation Committee Meeting in Council Chambers, 4:30 p.m.
February 25	Council Workshop/Regular Meeting at 3:00 p.m. and 7:00 p.m.

11. Presentation, possible action, and discussion on future agenda items: A Council Member may inquire about a subject for which notice has not been given. A statement of specific factual information or the recitation of existing policy may be given. Any deliberation shall be limited to a proposal to place the subject on an agenda for a subsequent meeting.
12. Discussion, review and possible action regarding the following meetings: Arts Council of the Brazos Valley, Audit Committee, Brazos County Health Dept., Brazos Valley Council of Governments, Brazos Valley Wide Area Communications Task Force, Cemetery Committee, Code Review Committee, Design Review Board, Historic Preservation Committee, Interfaith Dialogue Association, Intergovernmental Committee, Joint Relief Funding Review Committee, Landmark Commission, Library Committee, Metropolitan Planning Organization, National League of Cities, Outside Agency Funding Review, Parks and Recreation Board, Planning and Zoning Commission, Sister City Association, TAMU Student Senate, Research Valley Partnership, Regional Transportation Committee for Council of Governments, Texas Municipal League, Transportation Committee, Wolf Pen Creek Oversight Committee, Wolf Pen Creek TIF Board, Zoning Board of Adjustments, BVSWM, Signature Event Task Force, (Notice of Agendas posted on City Hall bulletin board).
13. Executive Session will immediately follow the workshop meeting in the Administrative Conference Room.
Consultation with Attorney {Gov't Code Section 551.071}; possible action. The City Council may seek advice from its attorney regarding a pending or contemplated litigation subject or settlement offer or attorney-client privileged information. Litigation is an ongoing process and questions may arise as to a litigation tactic or settlement offer, which needs to be discussed with the City Council. Upon occasion the City Council may need information from its attorney as to the status of a pending or contemplated litigation subject or settlement offer or attorney-client privileged information. After executive session discussion, any final action or vote taken will be in public. The following subject(s) may be discussed:
 - a. City of Bryan's application with TCEQ for water & sewer permits in Westside/Highway 60 area, near Brushy Water Supply Corporation to decertify City of College and certify City of Bryan
 - b. Discussion of Legal Issues Regarding: Wellborn Incorporation Request
 - c. Water CCN / 2002 Annexation / Wellborn Water Supply Corporation
 - d. Sewer CCN permit requests for Brushy & Wellborn Services Areas
 - e. Water CCN permit requests for Brushy & Wellborn Services Areas
 - f. Legal aspects of Water Well, permits and possible purchase of or lease of water well sites
 - g. TMPA v. PUC (College Station filed Intervention)
 - h. City of Bryan suit filed against College Station, Legal issues and advise on Brazos Valley Solid Waste Management Agency contract, on proposed methane gas contract
 - i. Update on legal proceedings for Grimes County Landfill site and contracts for development of Grimes County site

City Council Workshop Meeting

Thursday, February 11, 2010

- j. Weingarten Realty Investors v. College Station, Ron Silvia, David Ruesink, Lynn McIlhaney, and Ben White
- k. Chavers et al v. Tyrone Morrows, Michael Ikner, City of Bryan, City of College Station, et al
- l. Rogers Sheridan v. Barbara Schob & Greg Abbott
- m. Clancey v. College Station, Glenn Brown, and Kathy Merrill
- n. Verizon v. City of College Station

Personnel {Gov't Code Section 551.074}; possible action

The City Council may deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer. After executive session discussion, any final action or vote taken will be in public. The following public officer(s) may be discussed:

- a. Mayor & Council Self Evaluation

14. Action on executive session, or any workshop agenda item not completed or discussed in today's workshop meeting may be discussed in tonight's Regular Meeting if necessary.

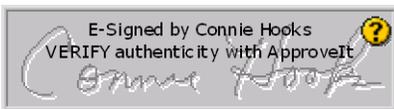
15. Adjourn.

APPROVED:

City Manager

Notice is hereby given that a Workshop Meeting of the City Council of the City of College Station, Texas will be held on the 11th day of February, 2010 at 1:30 pm in the City Hall Council Chambers, 1101 Texas Avenue, College Station, Texas. The following subjects will be discussed, to wit: See Agenda

Posted this 8th day of February, 2010 at 1:00 pm



City Secretary

I, the undersigned, do hereby certify that the above Notice of Meeting of the Governing Body of the City of College Station, Texas, is a true and correct copy of said Notice and that I posted a true and correct copy of said notice on the bulletin board at City Hall, 1101 Texas Avenue, in College Station, Texas, and the City's website, www.cstx.gov. The Agenda and Notice are readily accessible to the general public at all times. Said Notice and Agenda were posted on February 8, 2010 at 1:00 pm and remained so posted continuously for at least 72 hours proceeding the scheduled time of said meeting.

This public notice was removed from the official board at the College Station City Hall on the following date and time: _____ by _____.

Dated this ____ day of _____, 2010.

CITY OF COLLEGE STATION, TEXAS By _____

Subscribed and sworn to before me on this the ____ day of _____,

City Council Workshop Meeting

Thursday, February 11, 2010

_____ Notary Public – Brazos County, Texas My commission expires: _____

This building is wheelchair accessible. Handicap parking spaces are available. Any request for sign interpretive service must be made 48 hours before the meeting. To make arrangements call (979) 764-3517 or (TDD) 1-800-735-2989. Agendas may be viewed on www.cstx.gov. Council meetings are broadcast live on Cable Access Channel 19.

**February 11, 2010
Workshop Agenda Item No. 2
Non-Voting Student City Council Representative**

To: Glenn Brown, City Manager

From: Hayden Migl, Assistant to the City Manager

Agenda Caption: Presentation, possible action, and discussion regarding a non-voting student representative on the City Council.

Recommendation(s): N/A

Summary: This item is on this agenda to continue the discussion began at the January 28 meeting that had to be ended due to time constraints.

A bill was passed by the Student Senate on October 21, 2009 requesting that the City Council create a non-voting student representative on the Council in order to represent the opinions of the students of Texas A&M University. Texas A&M Student Government representatives will be present to explain the bill that was passed, have discussion about the intention of this position, and receive Council direction.

This is not a new concept in College Station. There have been students in years past who served as semi-permanent liaisons to the Council, but this bill is meant to memorialize this position for both the students and Council.

Budget & Financial Summary: N/A

Attachments:

1. Texas A&M University Non-Voting Student City Council Representative Bill

**The Student Senate
62nd Session
Texas A&M University**

Senate Bill S.B. 09 (F) 05

Introduced By: Daniel W. Dick

Action Taken _____

Certified By: _____
Michele Renee Breaux
Speaker of the Senate

Duly Approved: _____
Kolin Loveless
Student Body President

Texas A&M University Non-Voting Student City Council Representative Bill

“A bill requesting the creation of a non-voting student seat on the College Station City Council to represent the opinions of the students of Texas A&M University.”

- Whereas(1):** College Station was a city created due to the growth of what was then Texas A&M College and has seen tremendous growth as a result of the increased size of Texas A&M University; and,
- Whereas(2):** It is imperative that the students of Texas A&M University have a say in the city of College Station because they represent such a large percentage of the population; and,
- Whereas(3):** Unlike the cities of Austin, Lubbock, and Waco the students who are registered in College Station do not have a seat in the City Council; and,
- Whereas(4):** The afore mentioned cities all possess a smaller percentage of total population represented by the respective student bodies and cannot claim the intertwined history that Texas A&M University and the city of College Station can boast, yet all have larger student participation in the civic activities of communities.
- Whereas(5):** A non-voting student seat on the College Station City Council will allow students to participate in city issues and have a direct voice within the City Council Chamber; and,
- Whereas(6):** By doing so the city of College Station will encourage civic participation of the students and discourage apathy in what is going on within their community.

Further Certified By: _____
Michele Breaux
Speaker of the Senate

Therefore

Let it be

Enacted(1):

On behalf of the Student Body of Texas A&M University, the Texas A&M University Student Government Association formally requests a non-voting seat on the College Station City Council; and,

Let it be

Further

Enacted(2):

The Students of Texas A&M University hereby commit themselves to working with the College Station City Council on local issues to promote a thriving relationship between students and the permanent citizens of College Station and to ensure the continuing growth and prosperity of this great city; and,

Let it be

Further

Enacted(3):

That a copy of this bill be presented to each of the College Station City Council members within five (5) business days after passage.

February 11, 2010
Workshop Agenda Item No. 3
Special Community Events and the Role of the City

To: Glenn Brown, City Manager

From: David Gwin, Director of Economic and Community Development

Agenda Caption: Presentation, possible action, and discussion of the City's role in the hosting and promotion of special community events.

Recommendation(s): Staff recommends that the City Council receive the presentation and provide any input or direction in this regard.

Summary: Staff will provide the Council with a presentation highlighting the success of several recent special events and discuss the City's future participation and/or role in such community events.

Budget & Financial Summary: Potential financial implications will be discussed during the presentation and direction in this regard will be sought.

Attachments:
None

February 11, 2010
Workshop Agenda Item No. 4
Multifamily and Commercial Recycling Feasibility Study

To: Glenn Brown, City Manager

From: Mark Smith, Director of Public Works

Agenda Caption: Presentation, possible action, and discussion regarding a multifamily and commercial recycling feasibility study. This feasibility study evaluates the technical and financial feasibility of an expansion strategy for recycling services to multifamily and commercial solid waste customers in College Station.

Recommendation(s): After consideration and discussion regarding the study, staff respectfully requests Council direction on the implementation of a long-term recycling service expansion strategy. Staff is recommending the development of a service level adjustment for a recycling drop off center during the FY 2011 budget process.

Summary: Currently there are no recycling programs available to over 17,000 multifamily apartment units and over 1,000 commercial businesses in College Station. These sectors have only two options, either throw away their recyclables or transport them to the City of Bryan Drop-off Center. Expanding services to these customers would provide a more convenient method in diverting recyclable materials from the landfill. Over the past several years, the sanitation division has received numerous requests from College Station multifamily residents and businesses that want to recycle expressing concerns for the lack of recycling options that are available in the City.

The feasibility study was conducted by sanitation division staff. During the study, the division examined the best practices of Austin, TX; Waco, TX; Boulder, CO; Norman, OK; Lincoln, NE; Killeen, TX; and Pearland, TX.

Budget & Financial Summary: An expansion of services to multifamily and commercial customers may require a future sanitation rate increase. The minimum annual operating costs for a drop off center, including a 10 year amortization of capital costs will be \$183,850. Applying the additional operating costs to occupied multifamily units will result in a \$1.01 increase to the current \$6.75 monthly sanitation fee assessed to each unit, or \$7.76. The increase could be reduced if the additional fee was also applied to commercial customers.

Attachments:

1. Multifamily and Commercial Recycling Feasibility Study

I. Introduction

This Feasibility Study evaluates the technical and financial feasibility of implementing a multi-family and commercial recycling service in College Station. The purpose of this study is to evaluate multi-family and commercial business recycling as an alternative to conventional waste disposal. While all single family homes, duplexes, and some four-plexes currently receive curbside recycling services, recent and future growth of The City of College Station will give rise to increased multi-family residences and increased demands for recycling options. The environmental image of the City will be negatively affected without the availability of these alternatives. As such, it is necessary to explore and evaluate any and all viable waste disposal options, including multi-family and commercial business recycling.

II. Background

The City of College Station has been a leader in environmental excellence for many years. College Station, like many other municipalities across the nation implemented a recycling program to allow its citizens an alternative to conventional waste disposal methods. Since the inception of the curbside recycling program in 1990, over 17,000 tons have been diverted from the landfill and numerous environmental awards have been received. The national and state awards won by the College Station recycling program speak for themselves as do the exceptional commitment to environmental excellence and awareness; the birth of the curbside recycling program was just the beginning.

Today, the curbside recycling program serves approximately 18,000 single-family homes and this number continues to grow each year; we service about 65-70% of these homes. There are currently 17,798 multi-family units in College Station. Assuming an 85% occupancy rate, College Station has approximately 15,128 households that have no recycling options. There are also more than 1000 businesses operating in College Station that have no recycling options.

The population living in single and multi-family units will continue to rise as the College Station community grows and prospers. In order for College Station to maintain its dynamic, award winning environmental program, one challenge must be faced- a multi-family and commercial recycling program.

III. Objectives

In order for a recycling program to be a success, many objectives must be satisfied.

- The lack of commercial business and multi-family options in College Station must be addressed. A significant portion of the population has no access to recycling. These sectors have only two options, either throw away their recyclables or transport them to the City of Bryan Drop-off Center. Many College Station multi-family residents and businesses that want to recycle have expressed concerns for the lack of recycling options that are available.
- A recent survey shows that out of more than 200 multi-family residents 87% would use a conveniently located drop off center.
- The program that is initiated must be cost effective. One concern we must face is whether adding commercial business and multi-family recycling to the current waste-management system will increase the overall cost of the system over the long term. The answer, in large part, depends on the design and maturity of the recycling program and the rate of participation within the community.
- The current standard of service in the curbside recycling program must be maintained. Multi-family residents and commercial businesses should receive that standard as well. In addition, the service level that is selected and implemented should be dynamic so that it can meet the needs of College Station's residents and businesses for many years to come. Providing a recycling service to multi-family units and commercial businesses will allow more options than just conventional waste disposal and will allow the recycling program to expand to its full potential.

IV. Success Factors

A pilot apartment recycling study was performed in 2001. According to this study, many factors contribute to the success of a multi-family program. In order for multi-family recycling to become established, these factors must be satisfied:

- Apartment owners or managers need to support the program. This could be accomplished with a voluntary "Green Apartment" Certification Program or, in the future, through financial incentive. Changing from the current unit rate to a variable commercial rate would make recycling financially attractive to apartment managers, as they would save money through recycling. This change in billing from residential

to commercial must be implemented in order to ensure the success of the recycling program

- A high participation rate. Education on the benefits of recycling is the single most important variable influencing participation. A large-scale education program would be essential for success.
- Ease of participation. This largely depends on the type of program that is chosen because some programs are inherently easier to participate in. A comprehensive program making administration and recovery more efficient increases success. A Materials Recovery Facility (MRF) would provide the type of uniformity and participation that could make a good program great. A MRF is a facility that allows for the sorting, separation, and storage of recyclables. This would allow recyclables to be commingled, which could increase participation rates throughout the program. As the materials are sorted at the facility, contamination is virtually eliminated. The number of waste streams can be cut from the current five (aluminum, plastic, glass, paper, garbage) to only two (recyclables and garbage). A MRF provides convenience for residents, and addresses all of the success factors mentioned above. In addition, recyclables would be sold to help offset the costs, and both single and multi-family recycling could be completed at the same location. If placed at the landfill, as a regional facility, the facility and its costs could be shared with BSWMA, The City of College Station, and The City of Bryan.

V. Approaches

Several service approaches will be discussed and include the following: a drop-off center, curbside pickup, and an on-site container for recycling. In analyzing the approaches we will consider the following questions, 1.) Life cycle of the program, time to implementation, and ability to accommodate the growth of the city; 2.) Financial feasibility, estimate of costs, materials needed, personnel present, contract labor, ability to use existing resources, funding; 3.) Negative impacts, increased fees, taxes and workload; 4.) Estimated benefits, cost savings, contented residents.

1. Drop-off Center

The location of the center is important in determining the feasibility of this option. If it can be placed on city property, implementation would be rapid. A drop-off center would have the ability to grow and expand as the city grows, and would produce revenue that will help alleviate some of the costs incurred. Associated costs are land, building, equipment, and personnel (See attachment 1 for breakdown of costs). Cardboard could be collected at the drop-off, a commodity that College Station residents currently throw away or take to the Bryan Drop-off center. In fact, cardboard has the potential to be a source of increased revenue for the city. The advantages of a drop-off center are that it will meet the needs of all residents in the area, including current curbside residents, and might appeal to those that are eligible to participate in curbside recycling, but do not. It would be controlled by the city and can be run exactly as the city sees fit. In addition, due to the sorting of materials as they come in, there is almost no contamination of recyclables. Possible negative impacts are mainly aesthetic, which could occur if the area is not kept neat, clean, and professional. Disadvantages include the cost of possible land acquisition and the storage and selling of materials. However, staff has been approached by retail shopping centers about the possibility of locating a center in parking areas as an extra convenience for retail patrons. Minimum annual operating costs for a drop off center, including a 10 year amortization of capital costs will be \$183,850. Applying the additional operating costs to occupied multifamily units will result in a \$1.01 increase to the current \$6.75 monthly sanitation fee assessed to each unit, or \$7.76. The increase could be reduced if the additional fee was also applied to commercial customers.

2. Curbside Collection (containers)

An on-site container for recycling would place a container for recycling at every complex. This approach would allow for a relatively short implementation period. Also, this type of service would be able to accommodate growth as new containers are needed, but more routes and pickups would have to be scheduled. Costs will include 30 yard containers for each complex (approximately 120 complexes, some complexes will require two-three) and labor costs. The cost per container would be \$7,695 plus a cost

of \$100-300 (estimation) per pickup. The initial cost for the containers would be approximately determined by number of apartments willing to participate (See attachment 2 for breakdown of costs). An important aspect of this approach would be that it remains voluntary. By forcing a complex to recycle you create a rift between the management and the city. A "Green Apartment" certification program would offer some prestige and an additional marketing aspect to offer potential residents. Apartments would recycle to keep pace with neighboring complexes. Since this would be management oriented and voluntary, it ensures the complete support of the management in helping the program succeed. The advantages are that the container is on site and easy for the residents to participate. The disadvantages are that apartments control the process and that programs might differ from complex to complex. From past experiences there is a high contamination rate for this type of program, and containers might not be able to be placed where they would be most effective. This would negatively influence the longevity of this approach, because if it were not effective, it would not be continued. Minimum annual operating costs for curbside collection assuming participation in 100 complexes, including a 10 year amortization of capital costs will be \$350,000. Applying the additional operating costs to occupied multifamily units will result in a \$1.93 increase to the current \$6.75 monthly sanitation fee assessed to each unit, or \$8.68.

VI. Solution Analysis

The multi-family pilot program utilized an on-site container for recycling at three apartment complexes. The pilot program began on February 1, 2001 and ended on February 1, 2002. This time frame was chosen so that both spring and fall semesters at Texas A&M University could be analyzed. The time frame chosen also allowed us to see the effects of students moving out in May, and moving in during August, as well as summer, when the percentage of permanent residents falls. This time span demonstrated the ability of the program to achieve the goals that are necessary to warrant continuance.

There were three options considered for the onsite program. First was using 90-gallon containers that are management assisted and are serviced by Texas Commercial Waste. Second was a 30-yard roll-off container that is sectioned off to hold accepted commodities. College Station would be responsible for emptying, sorting, and storing the recyclables. Third, a Request

for Proposal (RFP) was sent out for a contractor to service the containers. College Station would be responsible for education to residents only.

The pilot proved to be very unsuccessful due to very high contamination, lack of participation, and high disposal fees due to the overwhelming amount of contamination. (Contamination – anything other than the accepted recyclable materials available for recycling in that area.)

VII. Conclusion

Looking back over the objectives and the factors for success, there are several points that stand out. First, apartment managers and commercial businesses must support the program. Unless the billing is changed from a unit rate to a variable commercial rate offering a financial incentive to the apartment manager, the programs must be voluntary. Voluntary enrollment provides a solid foundation to the program, because the participating complexes and businesses want the program to succeed as well. This would allow for the program to be streamlined and not waste time and effort on those that are not interested in providing recycling.

In conclusion, the challenge of providing multi-family and commercial recycling is one that has no easy answer, however it is a challenge that the City needs to address. While no obvious solution exists, the approaches considered in this study provide the opportunity and information necessary for further direction. While a full city-wide conversion to automated single stream recycling collection would be the most efficient and highest cost-benefit outcome for collections, it will require complex multi-entity cooperation and is at least several, possibly five, years away from a potential implementation start date. Curbside collections will be expensive and have the potential to fail due to contamination issues. The staff recommendation is that the City move forward at least as a temporary measure until single stream collection is a possibility, with a manned drop off recycling center. Staff further recommends that the City pursue a public private partnership to locate the center at a retail shopping center in order to minimize capital costs for land acquisition.

Attachment 1

Proposed Project: Manned Drop Off Recycling Center

Capital Investments			
Land Acquisition	If no City Property Available \$75,000		Minimum 10,000 sq. ft.
Building	\$50,000		100 x 50 Ft. Steel Building
Equipment	Bailer \$15,000		Containers \$10,000 (10)
Vehicles	\$30,000 Forklift	\$30,000 Truck	\$5,000 Trailer
<ul style="list-style-type: none"> Building amenities should include: A/C & heat, full bathroom, phone, computer 			

Salaries		
Drop-Off Coordinator	\$45,000	Full-time, with benefits
Customer Service (5)	\$31,200	Junction 505 Employees
Intern (1)	\$8,160	Part-time

Operating Budget		
Est. Annual Operation Budget	\$53,000	Without salaries
Collections Contract	\$25,000	

Initial Costs	
Capital Investment w/ Land	\$215,000
Capital Investment w/out Land	\$140,000
Salaries	\$84,360
Annual Operating Supplies	\$78,000
Total Annual Operating Budget	\$162,360

*Commodity Based Costs	
Collection Contract	\$25,000/annually for roll-off rental and collection of materials
Annual Tonnage	1100 tons
Annual Revenues	Not available
Revenue Per Commodity	
• Brown Glass	<\$.03 per lb.
• Clear Glass	<\$.03 per lb.
• Green Glass	Does not accept
• Aluminum	\$.15 per lb.
• Steel	\$.05 per lb.
Participation	
Regular Traffic	100-125 cars per day

* Based on City of Bryan Drive-In Recycling Center for 2009

The Bryan Drive-In Recycling Center located at the Super Wal-Mart is 100x50 feet with a 7-foot privacy fence around the parameter. They currently have an 8x10 building within the fence that has a window A/C & heating unit and a separate portable restroom. The plan to increase the building size to 10x16 and establish full bathroom facilities has been approved.

Hours of Operation

The Drive-In center is open seven days a week. Their current hours of operation are:

- Monday-Friday 10am-6pm
- Saturday 9am-6pm
- Sunday 12pm-6pm

Based on their service, they suggest having an early day, where the center would open at 8am or earlier. They do report a minimal amount of materials left outside the facilities fence after business hours. They are closed on City of Bryan holidays, but the Drive-In Coordinator or an employee he designates periodically removes any materials left by residents on these holidays in order to maintain the facilities appearance.

Employees

The Drive-In coordinator works Monday-Friday. Junction 505 employees work Monday-Thursday and Route Managers work at the center on Friday. Junction 505 employees do no work on weekends, so city employees from the Solid Waste Department work these shifts. Six employees is the optimum number of staff per shift.

Containers

The Drive-In Center uses containers designed by TCW specifically for their center. They have three modified roll-off containers that each have 3 square or round openings (depending on what it's used for) with plastic lids that lift vertically to open. They suggest having lids that slide horizontally to reduce the incident of lids closing while filling container. These containers are

used for newspaper/magazines, clear/brown glass and aluminum/steel cans. There is a dumpster on-site for green glass and a baler for cardboard. The Center notifies TCW 24 hours prior to needing a pick up and has these containers emptied. The Drive-In Coordinator hauls plastic, approximately 30 bags every two days, to TCW. The aluminum/steel and newspaper/magazine container is emptied twice a week and the glass containers once a week. The center also accepts plastic grocery bags, which it gives to Wal-Mart for recycling. Since materials often arrive co-mingled, there is a sorting table with approximately 8-inch walls and a screen bottom to separate materials.

Attachment 2

Proposed Project: Curbside Collection for Multi-family and Commercial Sectors

Capital Investments		
Vehicles	\$200,000 Roll Off Trucks	
Containers	\$750,000	For all Multi-Family and Businesses

Salary	
Recycle Route Manager	\$40,000

Operating Budget	
Est. Annual Operating Budget	\$215,000

Initial Costs	
Capital Investment	\$950,000
Salaries	\$40,000
Annual Operating Supplies	\$215,000
Total Annual Operating Budget	\$255,000

February 11, 2010
Workshop Agenda Item No. 5
UPDATE: Re-write of Local Animal Control Ordinance

To: Glenn Brown, City Manager

From: Jeff Capps, Chief of Police

Agenda Caption: Presentation, possible action, and discussion regarding the re-write of the City of College Stations Ordinance as it relates to Animal Control.

Recommendation(s): It is recommended that the Council receives the recommended changes as developed by the subcommittee in conjunction with City Legal and discusses the content and the process for addressing the elements presented. Options include setting additional workshops and opportunities for public input prior to adopting the City of College Station Code of Ordinance Chapter 2 – Animal Control.

Summary: Approximately 2 years ago a sub-committee of the Intergovernmental Committee (IGC) was formed to review and look at the Animal Control Ordinances and policies throughout Brazos County. The sub-committee is chaired by City of College Station Councilman James Massey. The sub-committee has developed a proposed re-write draft of the City of College Station Code of Ordinance Chapter 2 – Animal Control.

Councilmen Massey and Assistant City Attorney Mary Ann Powell will be presenting the findings to Council.

Budget & Financial Summary: None

Attachments:

The following items may be reviewed by going to the City of College Station's Animal Control website <http://www.cstx.gov/index.aspx?page=3441> or by reviewing a hard copy available in the City Secretary's Office: (will be provided at meeting)

- Current Animal Control Ordinance
- Animal Control Ordinance Subcommittee: March 2009 Draft
- Animal Control Ordinance Subcommittee: Legal Department Review Draft
- Summary of changes
- Power point presentation
- Public Comments

February 11, 2010
Workshop Agenda Item No. 6
Bryan / College Station Convention and Visitors Bureau
Semi-Annual Performance Briefing

To: Glenn Brown, City Manager

From: David Gwin, Director of Economic and Community Development

Agenda Caption: Presentation, possible action, and discussion regarding the performance, progress and future plans of the Bryan / College Station Convention and Visitors Bureau (CVB).

Recommendation(s): N/A

Summary: Ms. Shannon Overby, Executive Director, will provide a presentation on the performance, progress and future plans of the CVB since the last semi-annual performance briefing.

City representation on the CVB Board of Directors is realized through the efforts and participation of the following appointments:

Dave Ruesink, City Council	-	Board Member (Executive Com)
Steve Moore	-	Board Member (Executive Com)
John Crompton	-	Board Member (Executive Com)
David Gwin, City of College Station	-	Ex-Officio

Budget & Financial Summary: In FY 2010, the City Council allocated \$1,107,000 in annual funding for the CVB. The City of College Station is the primary source of funding for this Contract Partner agency and its various tourism development and enhancement activities.

Attachments: N/A

**February 11, 2010
Workshop Agenda Item No. 7
Transportation Capital Projects Funding**

To: Glenn Brown, City Manager

From: Mark Smith, Director of Public Works

Agenda Caption: Presentation, possible action, and discussion regarding the development and construction of the transportation infrastructure represented in the Thoroughfare Plan to meet the demands of growth projected in the Comprehensive Plan.

Recommendation(s): N/A

Summary: In September staff made a presentation where we discussed the implementation of the Thoroughfare Plan as well as strategies for funding maintenance of our street infrastructure. This workshop presentation will follow up by providing information better identifying the expected costs of the development of new facilities, how those costs may be allocated and our current ability to meet the financial demands.

Budget & Financial Summary: Implementation of street capital improvements are funded in a variety of ways.

Attachments: None

February 11, 2010
Workshop Agenda Item No. 8
Utility Customer Service Cash Handling Audit Report

To: Mayor and Members of the City Council

From: Ty Elliott, City Internal Auditor

Agenda Caption: Presentation, possible action, and discussion concerning the City Internal Auditor's Utility Customer Service Cash Handling Audit Report.

Recommendation(s): Give staff direction to implement the recommendations contained in the Audit Report.

Summary:

Reason for the Audit: A cash handling audit of the Utility Customer Service Division was included in the fiscal year 2010 audit plan based on the results of the Citywide Cash Handling Questionnaire completed in August 2009, results of the Citywide Risk Assessment completed in October 2007, and findings from previous audit work.

Background: Utility Customer Services, a Division of the Finance Department, has over 36,000 utility customers. In FY09, the Division collected approximately \$120 million in revenue for the City. Utility Customer Service is also the largest handler of currency in the City, with approximate currency collections of over \$5 million per year.

Audit Scope and Objectives: This audit addresses Utility Customer Service cash handling policies, procedures, processes and practices. The audit objectives determined:

- The adequacy of procedures to receive, handle, safeguard, and deposit cash,
- The presence of indicators of common cash handling fraud schemes, and
- The existence of unauthorized checking accounts at any banks in the local area.

Audit Results: No cash handling frauds were detected. In addition, no unauthorized bank accounts were identified. Overall, I found that most Utility Customer Services policies and procedures aligned with cash handling best practices. However, a few areas of improvement were identified such as:

- Controls could be strengthened if some duties of the Division's staff were separated.
- Policies and procedures could be better communicated and practiced.
- Policies should be reviewed relating (1) to non-cash credit adjustments and (2) support documentation requirements for adjustment approvals.
- A policy prohibiting cashiers from cashing personal checks of city employees should be implemented.

Attachments: Utility Customer Service Cash Handling Audit Report

Cash Handling Audit of Utility Customer Service

November 2009

**City Internal Auditor's Office
City of College Station**

File#: 09-02

Utility Customer Service Cash Handling Audit

Table of Contents

Introduction	1
Utility Customer Service Background	1
Audit Objectives	4
Scope and Methodology	5
Findings and Analysis	6
UCS is in General Alignment with Cash Handling Best Practices	6
The Duties of Some Employees Could be Better Segregated	6
Effective Receipting Controls Exist, but Some Practices Could Improve	7
Cash Collection Security Measures Are Adequate	9
No Cash Handling Fraud was Revealed	11
No Cash for Check Substitution Schemes were Detected	11
No Lapping Schemes Were Detected	12
No Account Receivable Schemes Were Detected	13
No Unauthorized City Bank Accounts Were Identified	16
Recommendations.....	17

Appendices

Appendix 1 Chief Financial Officer’s Response	19
---	----

Introduction

The City Internal Auditor conducted this cash handling audit of the Utility Customer Service Division of the Department of Finance pursuant to Article III Section 30 of the College Station City Charter, which outlines the City Internal Auditor's primary duties.

An internal audit is an objective, systematic examination of evidence to assess independently the performance of an organization, program, activity, or function. The purpose of an internal audit is to provide information to improve public accountability and facilitate decision-making. Internal audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal control; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.

A cash handling audit of the Utility Customer Service Division was included in the fiscal year 2010 audit plan based on the results of the Citywide Cash Handling Questionnaire completed in August 2009, results of the Citywide Risk Assessment completed in October 2007, and findings from previous audit work. On September 24, 2009, the City Council approved the City Internal Auditor's audit plan.

Utility Customer Service Background

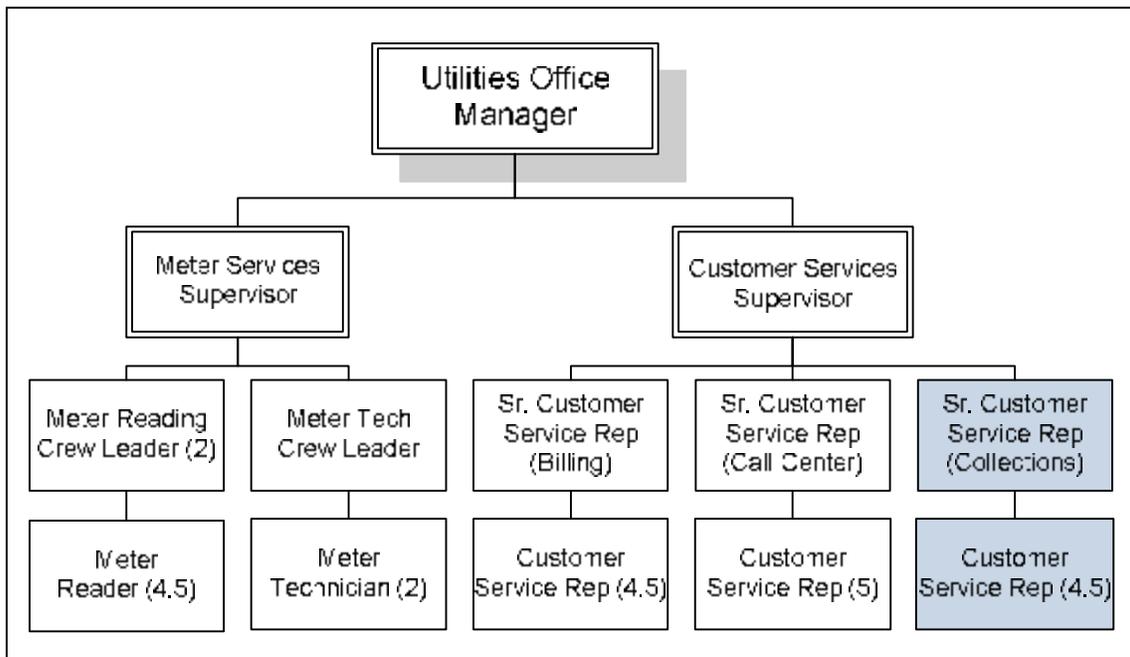
Utility Customer Service is a division of the Fiscal Services Department responsible for connecting and disconnecting water and electric meters, reading those meters, and providing billing and collection services for the City's electric, water, wastewater, sanitation and drainage utilities.

Utility Customer Services has two primary operating areas, meter services and customer services, which deliver five distinct lines of business. These lines of business are meter reading, meter connects and disconnects, call center activities, bill calculation and generation, and bill collections.

Utility Customer Services has over 36,000 utility accounts consisting of approximately 35,000 electric and 22,000 water meters that are read, billed and collected monthly. In fiscal year 2009, Utility Customer Service collected approximately \$120 million in revenue for the City of College Station. This revenue represents the largest revenue stream in the City. The customer base consists of approximately 33,000 residential and 3,000 commercial accounts.

The Division is headed by the Utility Customer Service Manager and has 28 full-time employees and three part-time employee. The Manager reports to the Fiscal Services Director. Figure 1 below is the organizational chart for the Utility Customer Service Division.

Figure 1: Utility Customer Service Division Organization Chart



The Collections Unit is responsible for collecting utility payments monthly; therefore, most cash handling responsibilities reside in this business unit (highlighted in blue in the chart above). The Collections Unit's customer service representatives primarily function as cashiers and main responsibilities consist of accepting and processing payments received from the public at the Utility Customer Service front counter or drive thru using automated cash registers. With these cash registers, the cashiers directly input cash receipts activity into the Cash Receipts application of the City's automated accounting system, HTE.

Currently, there are five (four full-time and one part-time) customer service representatives responsible for working six cash registers. Generally, three customer service reps work the counter and two customer service reps work the drive thru at one time. When the customer service reps are not working at the front counter or drive thru (cashiering), they answer walk-in customer questions and process payments received by mail, electronically, or by phone.

A senior customer service representative provides lead direction to the customer service reps working the cashiers. Her main duties pertaining to the Collections Unit include reviewing and approving each cashier's daily cash receipts reconciliation; safeguarding cash and cash equivalents, keys, and important documents; and functioning as a back-up cashier in case of high volume activity.

Several payment options are offered including bank draft, credit/debit card over the web or phone, night deposit, mail and paying in person. In fiscal year 2002, Utility Customer Service introduced an interactive voice response system (IVR) that allows customers with a touch-tone phone to retrieve automated account information and pay utility bills by phone. Also in fiscal year 2002, Utility Customer Service implemented a program which gave customers the ability to access account information and pay bills over the internet. Table 1 below describes the customer usage of the various types of payment options offered by the City.

Table 1: FY09 Payment Method Comparison

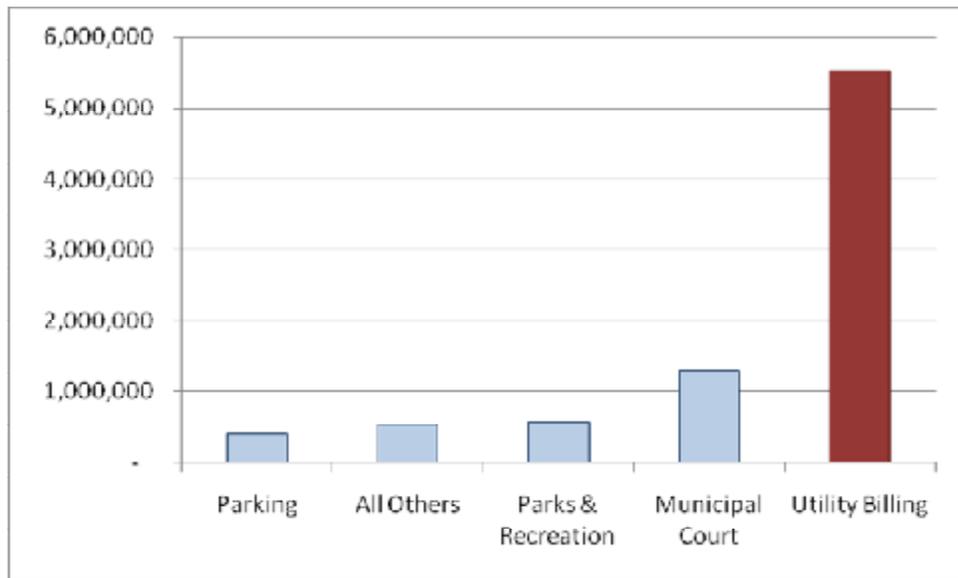
Payment Method	# of Pmts		Amount	
Mail	133,898	29%	\$48,473,800	41%
Internet Payments	149,020	32%	27,709,800	23%
Counter/Drive-Thru	78,494	17%	16,681,300	14%
Bank Drafts	41,994	9%	12,896,200	11%
Phone/IVR	23,651	5%	4,376,300	4%
Night Deposit	16,100	3%	3,654,700	3%
Electronic Pay ¹	9,679	2%	2,027,000	2%
Other	8,721	2%	3,651,500	3%
Totals:	461,557		\$119,470,600	

Since the implementation of the internet payment program and IVR, credit/debit card payments made by customers has steadily

¹ Online bill pay system customers setup with their bank to electronically send utility bill payments to the City, which are uploaded into the City's financial system.

increased; whereas, currency and check payments have decreased. Currently, approximately 5 percent of utility bills are paid through currency, 40 percent through debit or credit cards, and 55 percent by check. Despite only 5 percent of collections are in the form of currency, Utility Customer Service is still the largest handler of currency in the City. Figure 2 below compares the currency receipts of the City's cash handling locations for fiscal year 2009.

Figure 2: FY09 Currency Receipts Comparisons (in dollars)



Audit Objectives

This audit addresses Utility Customer Service cash handling policies, procedures, processes and practices. This report answers the following questions:

- Does the Utility Customer Service Division have adequate procedures to receive, handle, safeguard, and deposit cash and cash equivalents?
- Are there any indicators of common cash handling fraud schemes that exists within the Utility Customer Service Division?
- Are there any unauthorized or other off-book checking accounts at any banks in the local area?

Scope and Methodology

This audit was conducted in accordance with government auditing standards, which are promulgated by the Comptroller General of the United States. Audit fieldwork was conducted from September 2009 through October 2009.

The audit scope included procedures and practices used by the customer service representatives of the Utility Customer Service Division's Collections Unit to receive, handle, and deposit cash, checks, and credit card payments at the time of fieldwork.

The audit methods used to complete the audit objectives included:

- Reviewing the work of auditors in other jurisdictions and researching professional literature to identify best practices for municipal utility billing and collections.
- Interviewing staff responsible for performing cash handling oversight functions.
- Conducting data analysis using specialized auditing software to test for cash handling fraud indicators and system control failings.
- Reviewing cash receipt support documentation, Utility Customer Service employees' system functional access authority, the City's fiscal policy on cash handling, and Utility Customer Services procedures.
- Observing customer service representatives perform their cashiering responsibilities.
- Observing non-cash credit review and approval and receipt reconciliation processes performed by the Division's supervisors.
- Performing a surprise cash count of all Utility Customer Service counter and drive-thru drawers on September 23, 2009.
- Making an inquiry at all banks in the local area for a list of all accounts in the name of the City.

Findings and Analysis

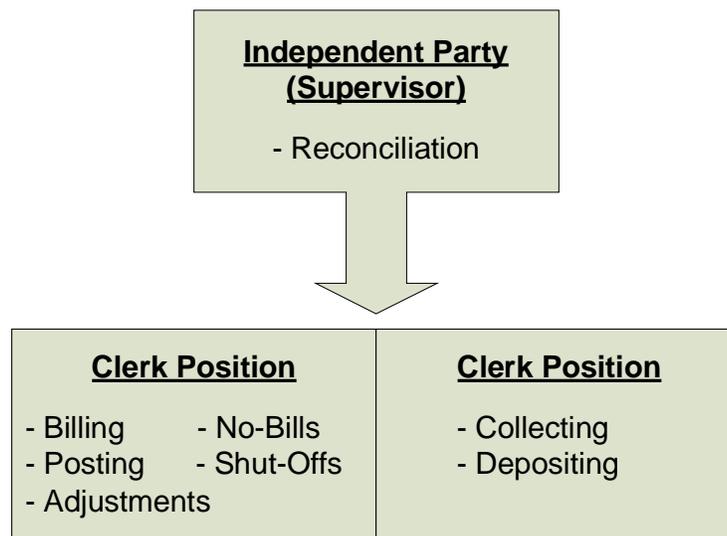
UCS is in General Alignment with Cash Handling Best Practices

Cash may include currency, coins, checks, money orders, or credit/debit card transactions. The following are generally considered to be best practices in cash handling: (1) appropriate segregation of duties, (2) effective receipting controls, (3) proper security measures regarding daily balancing and depositing of cash collections, (4) and sufficient management or officer review. Policies and procedures were reviewed, key staff was interviewed, system functional access authority was analyzed and operations were observed to determine if Utility Customer Service (UCS) exhibited these characteristics.

The Duties of Some Employees Could be Better Segregated

Separation of duty, as a security principle, has as its primary objective the prevention of fraud and errors. This objective is achieved by disseminating the tasks and associated privileges for a specific business process among multiple users. To achieve the highest level of internal control over the cash handling process, a different person should be involved in billing/recording, collecting, and reconciling functions. Figure 3 below illustrates this concept.

Figure 3: Appropriate Cash Handling Segregation of Duties



Customer Service Representatives are cross trained. Billing, Call Center, and Collections customer service representatives are cross trained in order to be capable to work in any of these three business units. Cross training allows staffing flexibility to better manage leave and to rearrange staff in the case of unexpected high volume for a business unit during the day.

Utility Billing employees have functional access to perform incompatible duties. Customer Service Representatives in all business units have the authority to enter receipts, enter adjustments, create and change customer information, bill customer accounts, create/change delinquency status, and create and close work orders. As a result, employees who collect cash have the ability to perform billing and recording duties.

Adjustment review and posting is appropriately typically performed by the Sr. Customer Service Rep in the Billing Unit. However, the Sr. Customer Service Reps in the Call Center and Collections Units also have system access to perform this function. In addition, all three Sr. Customer Service Reps have system access to post cash receipts and authorize voided payments.

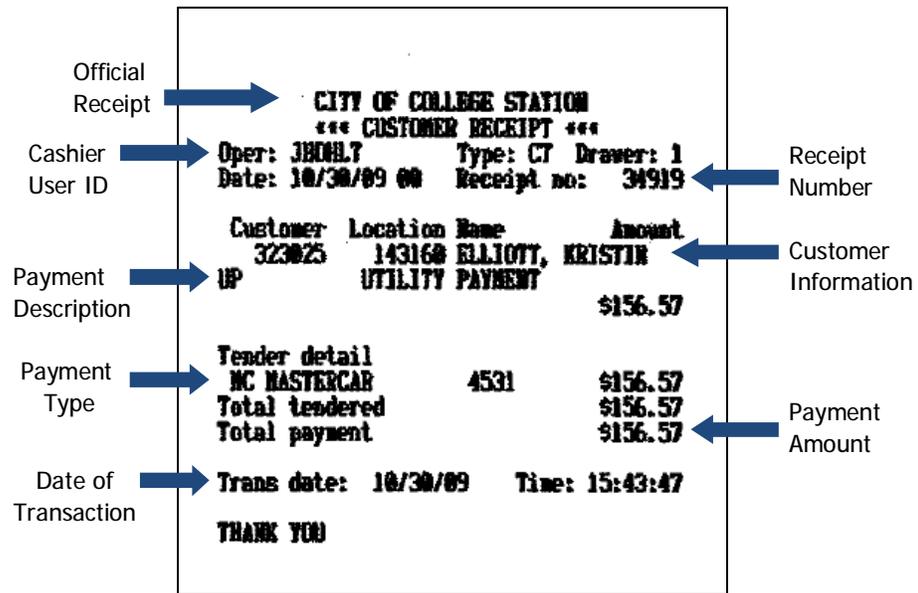
Procedurally, posting cash receipts and authorizing voided payments is appropriately performed by the Sr. Customer Service Rep in the Collections Unit. She also performs the daily balance and review of each cashier drawer. However, she sometimes performs an incompatible duty as a back-up cashier during instances of high volume activity.

Effective Receipting Controls Exist, but Some Practices Could Improve

The following are generally considered to be best practices in receipting cash: (1) Official pre-numbered receipts should be used. (2) Information on receipts should include the payor's name; purpose or description of the cash payment; quantity; and unit price, if applicable; type of cash received (check, currency, etc.); total amount of cash received; and the signature of the person collecting or receiving the cash. (3) Checks received should be immediately restrictively endorsed, "For Deposit Only". (4) A duplicate receipt should be provided to the payor for each transaction.

System generated receipts are adequate. Official City of College Station Utility Customer Service receipts are created by automated cash registers, which are integrated with the City's accounting system. Receipt documentation created by these registers contains all the necessary features to effectively reconcile processed payments to accounting records. Figure 4 below is an example of a receipt cashiers furnish to customers upon payment of a utility bill.

Figure 4: Example of a Utility Customer Service Receipt



Checks received are appropriate endorsed. Based on my review, I found that when cashiers receive checks for payment they immediately endorse the check with an official City stamp that contains the language "For Deposit Only".

Cashiers are not providing all customers with duplicate receipts. City cash handling procedures state that cashiers should always give the customer a receipt. In addition, they state that "each cashiering location should have a sign encouraging customers to notify management if they do not get a receipt." I observed occasions where customers were not offered a receipt. In addition, there are no receipt related signs present at the Utility Customer Service location.

Surprise cash count revealed missing receipt documentation. I performed a surprise cash count and analytical review of utility payments on September 23, 2009. During this audit procedure, I

found that several transactions were lacking necessary receipt documentation. Table 2 on the next page summarizes these findings.

Table 2:
9/23/09 Utility Payments' Receipt Documentation by Tender Type

Tender Type	Totals Transactions		No Receipt but had a Billing Stub		No Receipt or Billing Stub	
	Trans	Amount	Trans	Amount	Trans	Amount
Check	71	\$22,826	39	\$15,260	10	\$949
Cash	56	8,871	8	1,212	1	30
Credit	<u>28</u>	<u>6,463</u>	<u>8</u>	<u>1,998</u>	<u>3</u>	<u>904</u>
Totals:	155	\$38,159	55	\$18,470	14	\$1,883

Approximately 9 percent of transactions had no receipt documentation—i.e., no receipt or billing stub accompanied the payment. Four cashiers were on duty on September 23, 2009 and all but one had instances where receipt documentation was missing from their cash drawer. Table 3 below describes these results.

Table 3:
9/23/09 Utility Payments' Receipt Documentation by Cashier

Cashier	Totals Transactions		No Receipt but had a Billing Stub		No Receipt or Billing Stub	
	Trans	Amount	Trans	Amount	Trans	Amount
Cashier1	12	\$2,187	5	\$994	0	\$0
Cashier2	46	9,067	9	2,153	4	934
Cashier3	67	22,060	38	14,789	5	353
Cashier4	<u>30</u>	<u>4,845</u>	<u>3</u>	<u>534</u>	<u>5</u>	<u>596</u>
Totals:	155	\$38,159	55	\$18,470	14	\$1,883

Cash Collection Security Measures Are Adequate

Effective security measures for balancing and depositing cash collections have the following elements: (1) Cashiers should have a lockable cash drawer, and it should be secured in a locked safe, to which access is limited to the employee collecting the cash and a supervisor. If there is more than one person receiving cash at the same time, each person should have his/her own cash drawer. (2) All cash receipts should be balanced daily by comparing the pre-numbered receipts issued with the actual amount of cash in the drawer. (3) Deposit should occur at the earliest possible time with all funds intact. The entire amount of receipts collected must be

deposited so that all collections are posted as receipts to the City's accounts. (4) The deposit receipt should be reconciled to cashiers' receipt documents after the deposit has been made.

Security Measures for Balancing and Depositing of Cash Collections Are Effective. At the end of each business day, cashiers reconcile his or her cash receipts. The cashier begins by printing out his or her cash edit listing report from HTE. This report is designed to identify and summarize all cash receipts activity performed by the cashier for the day. After this is done, source documentation for each type of transaction is totaled (adding machine tapes are prepared), and reconciled with the edit report by the cashier. Additionally, currency, coins, checks, and credit card payments are totaled and compared with like information in the edit report.

Once this has been done, the Collections Unit Sr. Customer Service Rep reviews each cashier's reconciliation to make sure the cash receipts edit listing reports, cash and cash equivalents, and supporting source documentation are in agreement. As part of the review process, the Sr. Customer Service Rep recounts the currency and coins for each cash drawer to make sure all money is accounted for. All cash receipts and most support documentation for these receipts are then placed in a courier bag with a bank deposit slip, which is locked and placed in the Utility Customer Service safe by the Sr. Customer Service Rep. The bank bag is picked up the next day by an armored vehicle to be delivered and deposited into the City's Citibank account.

Independent reconciliation is performed by Accounting Division staff. Each day, an Accountant in the Accounting Division of Fiscal Services reconciles the daily Utility Customer Service deposit to the City's Citibank account statement. She verifies that all deposits reconcile to accounting records, sales records, and the bank statement. This step ensures that all cash sales recorded for the day were properly and timely deposited and correctly recorded in the City's accounting system.

Cash drawers are individually assigned and secure. Each cashier is assigned a cash drawer with a \$220 change fund. The drawers are all locked in the safe overnight. In addition, cashiers can lock their drawers at their work station.

No Cash Handling Fraud was Revealed

According to the 2006 Association of Certified Fraud Examiners Report to the Nation on Occupational Fraud and Abuse, approximately 33 percent of occupational fraud target incoming receipts or cash on hand. The three most common frauds related to cash handling include: check for cash substitution schemes, lapping schemes, and account receivable schemes. I performed various audit procedures to determine the risk that any Utility Customer Service employee is involved in perpetrating one of these frauds.

No Cash for Check Substitution Schemes were Detected

A check for cash substitution scheme is the number one way funds are stolen in any cash receipting activity. This scheme is perpetrated by a cashier who substitutes checks from unrecorded payments for cash from payments which have been receipted and recorded in the accounting records. When the cashier places the checks from these unrecorded transactions in the cash drawer, there is an immediate overage in the account. To remedy this situation, the cashier merely removes the displaced cash from the cash drawer. The checks used in this scheme are almost always received through the mail. These are high risk transactions because these customers do not ever expect to receive a receipt. The customer's account for each unrecorded transaction is always marked "paid".

- | Y | N | Check for Cash Substitution Scheme Risk Evaluation: |
|---|---|--|
| | X | 1. Are employee duties appropriately segregated? |
| ✓ | | 2. Are deposits made daily and in the same form received? |
| ✓ | | 3. Does the check and cash composition of the daily bank deposit agree with the mode of payment indicated on the cash receipts? |
| ✓ | | 4. Are official pre-numbered cash receipts used, which indicate mode of payment data (i.e.; payment by check or cash)? |
| ✓ | | 5. Does the organization verify daily cash receipt accountability to a bank-validated deposit slip showing check and cash composition? |
| ✓ | | 6. Does the Division control revenue checks which are received through the mail by having more than one employee present when the mail is opened, making a log of the transactions, and then reconciling this information to daily cash receipt transactions to ensure that all payments were recorded properly and deposited in the bank? |

The fraud detection methods utilized revealed no fraud. In order to determine if a check for cash substitution scheme was being

perpetrated by a Utility Customer Service employee, I reviewed: (1) the segregation of duties of key personnel, (2) the check and cash composition of the daily bank deposit during an unannounced cash counts and during substantive audit tests of cash receipts, (3) the records of the numerical series of official pre-numbered receipts to verify that these receipts are used sequentially (including properly accounting for all copies of voided documents). Based on this review, I did not detect any cash substitution schemes.

No Lapping Schemes Were Detected

A lapping scheme is perpetrated by a cashier who issues cash receipts for customer payments, but subsequently makes no bank deposit, or a short bank deposit, of the funds. The difference between the total amount receipted and the lesser amount deposited is stolen. Cumulative cash shortages over a period of time represent the total amount of the loss in a lapping scheme. The customer's account for each unrecorded transaction is always marked "paid". Ways perpetrators conceal the disposition of lapping schemes include: paying back the amount of the loss, canceling the accountability established by the cash receipts issued through unauthorized voiding activity, destroying the supporting documents representing the accountability for the funds stolen, or reporting a mysterious disappearance theft of cash receipts.

Y	N	Lapping Scheme Risk Evaluation:
	X	1. Are employee duties appropriately segregated?
	X	2. Are personal checks of cashiers or other fund custodians not allowed to be cashed at Utility Customer Service registers?
✓		3. Are there no deposit timing lags from Utility Customer Service to the City's bank account?
✓		4. Are deposits made daily and intact?
✓		5. Is there no excessive amount of void cash receipts transactions?
✓		6. Does the check and cash composition of the bank deposit agree with the check and cash composition of the cash receipts issued?
✓		7. Is there no reported mysterious disappearance of cash receipts?
✓		8. Are official pre-numbered cash receipts used and are none missing?

The fraud detection methods utilized revealed no lapping scheme fraud. In order to determine if a lapping scheme was being perpetrated by a Utility Customer Service employee, I conducted comparative analytical reviews of three fiscal years of utility revenue streams to determine which areas had unfavorable trends. To

determine reasons why revenue changed from previous reporting periods, I interviewed the Utility Customer Service Manager and confirmed responses obtained from her by using alternative records and through substantive audit tests. Additional audit procedures to detect lapping schemes included: unannounced cash count, review of the timeliness of deposits, review of the check and cash composition of daily bank deposits, analytical review of voided transactions, and observations of cash receipting operations. Based on this review, I did not detect any lapping schemes.

Employees' personal checks are being cashed by cashiers. I analyzed payment records over the last three fiscal years for the presence of personal checks from cashiers and other fund custodians. Utility Customer Service was the only location that cashes personal checks of city employees. The Division has a policy that cashiers should not cash their own checks, but this could not be verified through existing records. Therefore, the presence of employees' personal checks in cash drawers increases the risk of a lapping scheme being perpetrated by a cashier. In fiscal year 2009, 655 personal checks were cashed for over \$31,000.

No Account Receivable Schemes Were Detected

In account receivable schemes, an employee steals a customer's payment, and then does one of two things in order to conceal the irregular activity. He or she either writes-off the account, such as through a "non-cash credit" transaction (i.e.; an account write-off, adjustment, or cancellation), or lets the account go delinquent (i.e.; without taking any action). This latter condition usually results in customer feedback and detection of the scheme, unless customer feedback is received by the same employee who stole the customer's payment. The dishonest employee could then further manipulate the records to conceal any irregular activity from view by managers.

- | Y | N | Account Receivable Schemes Risk Evaluation: |
|---|----------|---|
| | X | 1. Are employee duties appropriately segregated? |
| ✓ | | 2. Does management periodically review exception report listings of all non-cash credit transactions? |
| ✓ | | 3. Are all non-cash credit transactions authorized and approved? |
| | X | 4. Are all non-cash credit transactions supported by appropriate documentation for the action? |
| ✓ | | 5. Are delinquent accounts monitored closely? |
| ✓ | | 6. Does the entity maintain an accounts receivable control account? |



7. Does the balance in the accounts receivable control account agree with the total of the customer account balances?

The fraud detection methods utilized revealed no accounts receivable fraud. In order to determine if an accounts receivable scheme was being perpetrated by a Utility Customer Service employee, I did the following: (1) reviewed the segregation of duties of key personnel, (2) performed comparative analytical reviews of the last three fiscal years of non-cash credit transactions to identify correlations between employees and these types of risky transactions, and (3) observed a Sr. Customer Service Rep perform the non-cash credit review and approval process. Based on this review, I did not detect any account receivables schemes.

Adequate support documentation is not required for some types of adjustments. Late fees are 10 percent the value of the customer's bill, and the minimum late fee charged is \$3. Utility Customer Service's policy is to forgive a customer's late payment fee without question under the following two conditions (1) it is the customer's first late bill within a twelve month period and (2) the customer requests for the late charge to be forgiven. Any Customer Service Rep (including cashiers) can make these types of adjustments regardless of the amount of the late bill. Adequate support documentation is not required to demonstrate that the customer requested the late bill to be forgiven. In these instances, the Sr. Customer Service Rep who approves the adjustment confirms that the amount adjusted is correct and checks to make sure that it is the first time the customer has been forgiven of a late charge within the last twelve months. Table 4 below provides a breakdown of late fee adjustments made from the beginning of fiscal year 2007 to the end of fiscal year 2009.

Table 4: FY07 – FY09 Late Fee Credit Adjustments

Late Fee Credit Adjustment Range	Transactions Number		Transaction Amount	
	Count	Percent	Amount	Percent
Less than \$50	7,142	92.96%	\$119,974.81	39.83%
\$50 to \$99.99	250	3.25%	16,818.85	5.58%
\$100 to \$499.99	209	2.72%	50,008.15	16.60%
\$500 to \$999.99	45	0.59%	32,867.48	10.91%
\$1,000 to \$4,999.99	36	0.47%	76,348.64	25.35%
Greater than \$5,000	1	0.01%	5,183.79	1.72%

Customer Service Reps also adjust customers' bills when customers explain that their high consumption was due to any type of water leak. No support documentation is required by the customer to show that they have fixed the leak before the adjustment is made. For these types of cases, the Sr. Customer Service Rep who approves the adjustment verifies that the customer's consumption is greater than their historic consumption. Typically, the adjustment is made for half the billed consumption—as long as half is not less than normal consumption. For example, a customer has an \$800 bill and consumption of 144,000 gallons; the Customer Service Rep will credit the customer account for 72,000 gallons, resulting in a \$400 credit to their bill. Table 5 below provides a breakdown of water consumption adjustments made from the beginning of fiscal year 2007 to the end of fiscal year 2009.

Table 5: FY07 – FY09 Water Consumption Credit Adjustments

Water Credit Adjustment Range	Transactions Number		Transaction Amount	
	Count	Percent	Amount	Percent
Less than \$50	1688	69.24%	\$33,749.26	13.39%
\$50 to \$99.99	395	16.20%	\$28,351.55	11.24%
\$100 to \$499.99	326	13.37%	\$60,339.85	23.93%
\$500 to \$999.99	17	0.70%	\$12,438.37	4.93%
\$1,000 to \$4,999.99	7	0.29%	\$19,262.00	7.64%
\$5,000 to \$14,999.99	2	0.08%	\$18,889.62	7.49%
\$15,000 to \$29,999.99	2	0.08%	\$46,721.39	18.53%
Greater than \$30,000	1	0.04%	\$32,388.50	12.85%

Unsupported account adjustments represent the highest risk of fraud. Unsupported account adjustments eliminate the accountability for money from real debts owed to the City after customer payments have been stolen. These adjustments represent a high risk for fraud, similar to any other kind of negative cash transaction. Because cashiers have the authority to perform billing and recording duties, fictitious adjustments made to forgive customers' late bills or higher than normal consumption could be done without detection.

No Unauthorized City Bank Accounts Were Identified

No unauthorized or other off-book checking accounts at any banks in the local area were identified. Through Chamber of Commerce records, I identified 48 financial institutions in the local area where personal and commercial checking accounts can be established. The City's official account is with Citibank; therefore, there should not be any other accounts in the City's name or any City department's name at any of the other 47 financial institutions in the local area. I contacted each of these financial institutions and received official verification that no unauthorized City accounts exist.

Recommendations

Utility Customer Service needs a few slight improvements, encompassed in the following audit recommendations. Implementing these recommendations would strengthen internal controls to further prevent any misappropriation of cash on hand.

1. To strengthen controls, the Collections Unit Sr. Customer Service Rep should not function as a backup cashier because she performs the following incompatible duties: reconciles the cashiers' end of the day receipts, approves voided transactions, reviews essential cash control reports, and prepares the daily collections deposit.

If this separation of duties is not entirely possible, other means of internal control should be practiced, such as: rotation of duties, exercising more strict supervision, double-checking work, enforced vacations, additional training to improve the quality of performance, and frequent audits.

2. To achieve the highest level of internal control, Utility Customer Service should consider segregating the duties of customer service representatives to their essential duties within each business unit. As a result, Collection Unit employees with the primary responsibility of collecting cash payments would not have access to billing and recording functions.

As a mitigating control, Utility Customer Service should at least restrict cashiers from making credit adjustments over \$50. Approximately 84 percent of credit adjustments made in fiscal year 2009 were under \$50. However, this represented only 25 percent of amount of credit adjustments made in fiscal year 2009. If an adjustment of over \$50 is needed to be made to a customer's account, a cashier could call upon the Collections Unit Sr. Customer Service Rep to make the adjustment (provided she no longer functions as a cashier).

3. The Department of Fiscal Services cash control policies and procedures are in alignment with accepted cash handling best practices. The Utility Customer Service Manager should periodically communicate these policies and procedures to her staff along with explaining their purpose and importance. Special emphasis should be placed on providing receipts to customers and

retaining receipt support documentation in cash drawers for end of the day balancing. In addition, each cashier location should have a sign encouraging customers to notify management if they do not get a receipt.

4. The Utility Customer Service Manager should implement a policy prohibiting cashiers from cashing personal checks of city employees. During the daily balancing process of cash receipts, the Collections Unit Sr. Customer Service Rep should verify that no employee personal checks are in the front counter or drive thru cash drawers.
5. Utility Customer Service should reexamine their customer friendly policies of forgiving money owed to the City that are a result of customer mistakes. In fiscal year 2009, Utility Customer Service made 13,155 non-cash credit adjustments (excluding write-offs) for approximately \$767,000. Legitimate account adjustments include: (a) pre-billing adjustments for unusual circumstances, such as meter reading errors and broken transmission lines or facilities; and, (b) post-billing adjustments for other miscellaneous accounting errors noted by both employees and customers for a wide variety of reasons. In other words, generally accepted account adjustments are the result of employee errors. A large number of the account adjustments made by Utility Customer Service, however, are a result of customer friendly policies of liberally forgiving customer mistakes (e.g. late payments, plumbing leaks, etc.).
6. Support documentation should be required for all types of adjustments in order for the adjustment to be approved and processed. For example, if Utility Customer Service decides to continue to adjust customer bills in the case of a plumbing leak, the customer should be required to furnish documentation that the leak has been repaired.

Internal Audit Recommendations and Fiscal Services Response:

1. **Recommendation:** To strengthen controls, the Collections Unit Sr. Customer Service Rep should not function as a backup cashier because she performs the following incompatible duties: reconciles the cashiers' end of the day receipts, approves voided transactions, reviews essential cash control reports, and prepares the daily collections deposit.

If this separation of duties is not entirely possible, other means of internal control should be practiced, such as: rotation of duties, exercising more strict supervision, double-checking work, enforced vacations, additional training to improve the quality of performance, and frequent audits.

Response: Management realizes that this recommendation would strengthen controls. However, there is a fine line between too much control and the inability to provide efficient, effective service. It would not be prudent to take away cashiering duties from the Collections Unit Sr. Customer Service Representative as she must function as a backup cashier when we are short handed. We do concur that other means of control should be exercised and will develop a plan to address this.

2. **Recommendation:** To achieve the highest level of internal control, Utility Customer Service should consider segregating the duties of customer service representatives to their essential duties within each business unit. As a result, Collection Unit employees with the primary responsibility of collecting cash payments would not have access to billing and recording functions. As a mitigating control, Utility Customer Service should at least restrict cashiers from making credit adjustments over \$50. Approximately 84 percent of credit adjustments made in fiscal year 2009 were under \$50. However, this represented only 25 percent of amount of credit adjustments made in fiscal year 2009. If an adjustment of over \$50 is needed to be made to a customer's account, a cashier could call upon the Collections Unit Sr. Customer Service Rep to make the adjustment (provided she no longer functions as a cashier).

Response: Management concurs and will develop a policy to restrict the dollar amount of adjustments made by Customer Service Representatives that handle cash to \$50.00. Any adjustments over \$50.00 will be made by a Senior Customer Service Representative that does not have cash handling duties.

3. **Recommendation:** The Department of Fiscal Services cash control policies and procedures are in alignment with accepted cash handling best practices. The Utility Customer Service Manager should periodically communicate these policies and procedures to her staff along with explaining their purpose and importance. Special emphasis should be placed on providing receipts to customers and retaining receipt support documentation in cash drawers for end of the day balancing. In addition, each cashier location should have a sign encouraging customers to notify management if they do not get a receipt.

Response: Management concurs and has implemented this recommendation. Staff has been instructed to always print a computer generated receipt so that one can be retained in their cash drawer and the other can be presented to the customer. Management will be revising policies and procedures to include this. Signs will be placed in the lobby and drive through areas encouraging customers to notify management if a receipt is not given.

4. **Recommendation:** The Utility Customer Service Manager should implement a policy prohibiting cashiers from cashing employee personal checks of City employees. During the daily balancing process of cash receipts, the Collections Unit Sr. Customer Service Rep should verify that no employee personal checks are in the front counter or drive thru cash drawers.

Response: Management concurs and will cease cashing personal checks of City employees.

5. **Recommendation:** Utility Customer Service should reexamine their customer friendly policies of forgiving money owed to the City that are a result of customer mistakes. In fiscal year 2009, Utility Customer Service made 13,155 non-cash credit adjustments (excluding write-offs) for approximately \$767,000. Legitimate account adjustments include: (a) pre-billing adjustments for unusual circumstances, such as meter reading errors and broken transmission lines or facilities; and, (b) post-billing adjustments for other miscellaneous accounting errors noted by both employees and customers for a wide variety of reasons. In other words, generally accepted account adjustments are the result of employee errors. A large number of the account adjustments made by Utility Customer Service, however, are a result of customer friendly policies of liberally forgiving customer mistakes (e.g. late payments, plumbing leaks, etc).

Response: Management concurs and will reexamine these policies. A policy will be written that will give guidelines for processing adjustments to customer accounts.

6. **Recommendation:** Support documentation should be required for all types of adjustments in order for the adjustment to be approved and processed. For example, if Utility Customer Service decides to continue to adjust customer bills in the case of a plumbing leak, the customer should be required to furnish documentation that the leak has been repaired.

Response: Management concurs and will work with IT to find a solution that could include scanners or electronic signatures that could be utilized by Customer Service Representatives that handle cash to receive documentation or signatures before making adjustments.

**February 11, 2010
Workshop Agenda Item No. 9
City of College Station Blogs**

To: Glenn Brown, City Manager

From: Jay Socol, Director of Public Communications

Agenda Caption: Presentation, possible action, and discussion of web logs (blogs) for interested city council members and city staff who want to engage with citizens on a variety of topics.

Recommendation(s): Provide direction to staff to create a blog for any city council member who is interested in establishing deeper relationships with constituents in the form of respectful, transparent, two-way conversation.

Summary: At a time when there is general distrust of government at all levels, blogs can serve as a powerful communications tool to engage with constituents in transparent and authentic ways. Public Communications stands ready to create and manage a blog for each city council member who wants one, as well as an additional blog that's open to a variety of city staff. Terms and conditions would be established for both the blogger and for those choosing to post comments.

Budget Impact: No additional funds would be spent to create or maintain blogs.

Attachments: N/A