



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

City Auditor's Office  
George H. Holland  
City Auditor

July 3, 2025

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## Executive Summary

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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.

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. **Funding has been approved for Solid Waste to engage a consultant to assess waste disposal contracts and verify appropriate volume discount adjustments.**

Management accepted the recommendations from the original report and agreed to make appropriate changes in their processes and procedures. Management indicated that 8 of 9 recommendations are either in process or have been implemented. One recommendation with the status of "Not Implemented" was not tested due to amendments to contracts with Solid Waste haulers not being resolved.

To determine implementation of the recommendations, we reviewed the information that was submitted and concluded that of the eight recommendations, two have been implemented, four are in progress, and two have not been implemented.

A complete list of recommendations and current statuses can be seen below. Additional information on "in progress" recommendations can be found in Appendix A.

We conducted this follow-up review in accordance with the Global Internal Audit Standards. These standards require that we confirm that management has implemented our recommendations or management's action plans. We inquired about the progress on implementation, performed follow-up assessments using a risk-based approach, and updated our tracker and Five-Year Follow-Up Dashboard to reflect issues and report this at every Audit Committee Meeting.

## Table of Contents

|                                                        |   |
|--------------------------------------------------------|---|
| Executive Summary.....                                 | 2 |
| FU24-004 MSWSSC Service Charges Follow-Up Report ..... | 4 |
| Appendix A - Additional Follow-Up Information .....    | 6 |
| Appendix B - Management Response.....                  | 9 |

## FU24-004 MSWSSC FOLLOW-UP REPORT

| ISSUE NO.                                   | RECOMMENDATION/ACTION PLAN                                                                                                                                                | MANAGEMENT ASSERTION   | STATUS                 |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| A. VERIFICATION OF WASTE HAULER REMITTANCES |                                                                                                                                                                           |                        |                        |
| A.1                                         | Is Solid Waste Services assessing the Late Fees and Interest on late remittances that have been submitted by the Solid Waste Haulers? Are tonnage and discounts verified? | <i>Not Implemented</i> | <i>Not Implemented</i> |
| B. PERMIT APPLICATIONS                      |                                                                                                                                                                           |                        |                        |
| B.1                                         | Are permanent waste hauler permit numbers assigned to each Solid Waste Hauler?                                                                                            | <i>Implemented</i>     | <i>Implemented</i>     |
| B.2                                         | Are permit applications and current remittances saved electronically?                                                                                                     | <i>Implemented</i>     | <i>Implemented</i>     |
| B.3                                         | Is the permit renewal now in an electronic format? For permit renewals, are they emailed to the permit holders for annual renewal?                                        | <i>In progress</i>     | <i>In progress</i>     |
| C. CONTRACT TERMS WITH SOLID WASTE HAULERS  |                                                                                                                                                                           |                        |                        |
| C.1                                         | Has the department implemented measures to ensure that the volume discount for the additional tonnage due to the combination of companies is adjusted?                    | <i>In progress</i>     | <i>In progress</i>     |

| ISSUE NO.                                                | RECOMMENDATION/ACTION PLAN                                                                                                                                            | MANAGEMENT ASSERTION | STATUS             |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|
| <b>D. GENERAL LEDGER CHART OF ACCOUNTS AND INVOICING</b> |                                                                                                                                                                       |                      |                    |
| D.1                                                      | Has the finance department modified the general ledger revenue section of the MSWSSC to reflect the major solid waste haulers?                                        | <i>In progress</i>   | <i>In progress</i> |
| D.2                                                      | Has the finance department modified the general ledger accounts receivable section to include identification of the Solid Waste Hauler's name and customer ID number? | <i>In progress</i>   | <i>In progress</i> |
| <b>E. SUBSEQUENT EVENT</b>                               |                                                                                                                                                                       |                      |                    |
| E.1                                                      | What internal controls will be in place to keep Republic Services from underpaying the MSWSSC remittance fee again?                                                   | <i>In progress</i>   | <i>In progress</i> |

| <b>Legend:</b>         |                                                        |
|------------------------|--------------------------------------------------------|
| <i>Implemented</i>     | Evidence supported documentation.                      |
| <i>Not Implemented</i> | Action or control not applied.                         |
| <i>In Progress</i>     | Action or control in the process of being implemented. |

## APPENDIX A - ADDITIONAL FOLLOW-UP INFORMATION

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### Issue A-1: VERIFICATION OF WASTE HAULER REMITTANCES

The Solid Waste Services Department cannot verify remittances to include the administrative late fee and the accrued interest as set forth in the City Ordinance. The remittances cannot be timely verified by the Solid Waste Services department staff for accuracy, or to assess the late fees and interest. This resulted in a foregone income of \$16,590 in late fees and interest during the original audit scope period.

#### **Recommendation:**

1. The Solid Waste Services Department should enforce the collection of the late fees and interest on the balance due. It is essential to ensure that remittances are received by the due date, that tonnage and discounts are verified, and that administration late fees with accrued interest are collected.

**Management Assertion: Not Implemented**

**Audit Status: Not Implemented**

### Issue B-3: PERMIT APPLICATIONS

The Solid Waste Haulers submit incomplete permit applications and fail to provide the required information in the application. The Solid Waste Services Department annually mails permit applications, but does not receive responses from some Solid Waste haulers to renew their permits. Hard copies of remittances and permit applications are filed onsite. No backup exists for historical data.

#### **Recommendation:**

1. Automate the permit renewal process to issue and retain hauler permits and email them to the permit holders for annual renewal.

**Management Assertion: In progress**

**Audit Status: In progress**

## Issue C-1: CONTRACT TERMS WITH SOLID WASTE HAULERS

Business combinations of companies can affect the guaranteed annual tonnage requirements. This subsequently affects the “tipping fee” paid to the City or the discounted acceptance fee.

### Recommendation:

1. Changes should be considered regarding contract terms which include the MSWSSC fee and the guaranteed annual tonnage. This will prevent the volume discount for the additional tonnage disposed of from being obtained prematurely due to the business combination of companies.

**Management Assertion: In progress**  
**Audit Status: In progress**

## Issue D- 1,2: General Ledger Chart of Accounts and Invoicing

The Chart of Accounts section of the general ledger accounts receivable of the MSWSSC fee does not reflect the names of the current six (6) Solid Waste Haulers. Additionally, the remaining small Solid Waste Haulers are coded to Miscellaneous Account 300947 without a means to verify the remittances of each hauler. Lastly, account 300946 is not in the numerical sequence of the chart of accounts. Displaying each account number available for use could prevent transactions from being recorded in the incorrect account.

### Recommendation(s):

1. The Chart of Accounts should be modified for the general ledger accounts receivable section of the MSWSSC. This will create an Accounts Receivable account for each major Solid Waste Hauler.<sup>1</sup>
2. The small Solid waste Haulers are “invoiced” through the general ledger account 300947. Each account in the general ledger accounts receivable section for Solid Waste Haulers should appear in the chart of accounts, whether currently used or not. However, the Solid Waste Hauler should be identified by the customer’s name and customer ID number to enhance the audit trail of the MSWSSC and determine the amount each hauler has remitted.

**Management Assertion: In progress**  
**Audit Status: In progress**

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<sup>1</sup> The major solid waste haulers within the city limits include Republic Services, Frontier K2, LLC, Mark Dunning Industries, Inc., and Corpus Christi Disposal Service, Inc. Other major solid waste haulers which are located outside of the city limits include Aransas County Transfer Station, and The Bag Lady. The MSWSSC fee does not apply to those companies based outside city limits.

## Issue E-1: Subsequent Event: Additional Self-Remittance Revenue Received

Following the original audit, the CAO noted calculation discrepancies in Republic Services' invoices for both small and large containers. We had requested that Republic Services correct these invoices within the current audit scope, and the City has received a check from Republic Services for \$312,227.89.

Republic Services and Solid Waste Services are currently negotiating a new waste hauler disposal agreement. Solid Waste Services has implemented a new control to ensure financial remittance, accuracy and consistency. Solid Waste Services started using monthly trend analysis to verify that Republic Services Hauler Self-Remittance funds received align with the number of containers Republic Services reports as deployed.

**Management Assertion: In progress**  
**Audit Status: In progress**

### Recommendation:

1. Solid Waste Services should implement additional internal controls to prevent underreporting of remittance fees to the City. For example, a triennial independent audit that incorporates trend analysis, internal control assessment, and includes planned on-site visits, including a physical inventory of containers.

This comprehensive approach will proactively identify anomalies, verify compliance, and ensure ongoing accountability and efficiency. Additionally, Republic Services should be required to provide electronic evidence of both redacted customer information and containers. This electronic data is readily available, but the refusal to provide by Republic Services was given to the auditors.

**Management Assertion: In progress**  
**Audit Status: In progress**

#### Staff Acknowledgement:

Amr Hussein, CIA, CISA, CFE, Audit Manager  
Wendy Pullin, CPA  
Joseph P. Lopez, Auditor  
Evan Manning, Audit Intern

## APPENDIX B - MANAGEMENT RESPONSE

July 3, 2025

George H. Holland, CIA, CISA, CCA  
City Auditor  
Corpus Christi, Texas

Re: FU24-004 Municipal Solid Waste System Service Charge (MSWSSC)

The Solid Waste Department has carefully reviewed the follow-up report referenced above. There is 1 **new** recommendation for the management, and the response under Appendix A.

☒ Agree

☐ Disagree

Regards,

  
Philip Aldridge  
Director of Solid Waste

7-10-25  
Date

  
Ernesto De La Garza  
Assistant City Manager – Interim

7/14/25  
Date

  
Peter Zanoni  
City Manager

7.15.25  
Date