

# SOLID WASTE MANAGEMENT



## CART INVENTORY MANAGEMENT PERFORMANCE AUDIT

Report# 2024-06

OFFICE OF THE HOUSTON CITY CONTROLLER

**CHRIS HOLLINS**  
CITY CONTROLLER

**COURTNEY SMITH**  
CITY AUDITOR



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**CHRIS HOLLINS**

March 25, 2024

The Honorable John Whitmire, Mayor,

**SUBJECT: REPORT #2024-06 SOLID WASTE MANAGEMENT (SWM)  
CART INVENTORY MANAGEMENT PERFORMANCE AUDIT**

Mayor Whitmire:

We contracted the professional services of Postlethwaite & Netterville, APAC (P&N) to conduct a performance audit of SWM cart inventory management. SWM is responsible for comprehensive collection, disposal, and environmental services to approximately 381,000 residential customers in the city of Houston. The department has four warehouses from which daily collection operations take place. Their process includes the use of carts to facilitate waste and recycling collection. SWM purchases waste and recycling carts to rent to customers.

The objective of this performance audit was to assess the processes and procedures in place to determine the appropriate levels of trash and recycling cart inventory, including management of cart leasing revenue.

Our engagement scope covered operations and transactions occurring during fiscal year 2023.

During the course of the engagement, audit procedures revealed that processes and procedures currently in place do not allow SWM to determine the appropriate levels of trash and recycling cart inventory or cart leasing revenue effectively or efficiently. We identified the following areas where enhancements to processes and internal controls will improve the department's ability to perform the following activities:

- Provide operational expectations and guidance through documented policies and procedures;
- Monitor and reconcile cart rental services;
- Provide warehouse inventory detail, physical inventory confirmation, and security;
- Develop cross-departmental coordination;
- Reconcile and monitor departmental revenue;
- Utilize cost benefit analysis to support cart return and repair; and
- Determine and communicate the most efficient initial cart delivery quantities by warehouse location.



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**CHRIS HOLLINS**

Improvement in these areas will improve overall management of inventory and cart leasing revenue.

Additional details are outlined in the accompanying audit report.

Respectfully submitted,

Christopher G. Hollins  
City Controller

xc: City Council Members  
Mark Wilfalk, Director, SWM  
Helvia Quinones, Deputy Director, SWM  
Wealthia White, Assistant Director, SWM  
Chris Newport, Chief of Staff, Mayor's Office  
Courtney Smith, City Auditor, Office of the City Controller

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**Solid Waste Management  
Performance Audit of Cart Inventory Management**

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<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>DETAILED FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES, AND ASSESSMENT OF RESPONSES.....</b>	<b>4</b>
Finding 1: Lack of Current and Comprehensive Policies and Procedures	4
Finding 2: Lack of Sufficient Cart Management	6
Finding 3: Lack of Comprehensive Warehouse Management	8
Finding 4: Lack of Cross-Departmental Coordination	10
Finding 5: Lack of Revenue Reconciliation and Monitoring	11
Finding 6: Lack of Cost Benefit Analysis Data Supporting Cart Return and Repair	13
Finding 7: Cart Management Delivery Locations	15
<b>Appendix A – Management Responses.....</b>	<b>18</b>



Ms. Courtney Smith  
City Auditor  
Office of the City Controller

**RE: Performance Audit of Solid Waste Management (SWM) Cart Inventory Management**

Dear Ms. Smith:

Postlethwaite & Netterville, APAC (P&N) has completed the performance audit of Solid Waste Management (SWM) Cart Inventory Management. The following report provides a summary of our procedures, observations, and recommendations.

The information presented within this report is based on the information provided to us by the Solid Waste Management Department. Our procedures were not designed to detect fraud or to constitute an audit, review, or compilation of the information provided. Accordingly, we will not express an opinion or conclusion nor provide any other form of assurance on the completeness and accuracy of the information. Additionally, the projection of any conclusions, based on our findings, to past or future periods is subject to the risk that changes may have occurred during the passage of time that may alter the validity of such conclusions. Furthermore, the projection of any conclusions, based on our findings, to the whole population is subject to the risk that the sample selected may not accurately reflect the population. This engagement was conducted in accordance with the *Statements on Standards for Consulting Services*, established by the American Institute of Certified Public Accountants. This report is intended solely for the use of the City of Houston and should not be used for any other purpose.

P&N appreciates the cooperation and assistance provided by SWM's personnel during this engagement. We sincerely appreciate this opportunity to be of service to you. Please do not hesitate to contact us if you have any questions related to this report or any other matters.

Sincerely,

POSTLETHWAITE & NETTERVILLE, APAC

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

The Audit Division of the Office of the City Controller City of Houston engaged Postlethwaite & Netterville, APAC to complete a performance audit of Solid Waste Management (SWM) Cart Inventory Management. This audit was conducted with the approval of City Council Ordinance No. 2002-0183.

### **BACKGROUND**

The Solid Waste Management Department (SWM or the Department) is responsible for comprehensive collection, disposal, and environmental services to approximately 381,000 residential customers. The Department has four warehouses with a Northeast location at 5614 Neches, a Northwest location at 12451 Judiway, a Southeast location at 1506 Central, and a Southwest location at 11500 South Post Oak. The Department offers daily residential and commercial waste and recycling pick up and operates two environmental service centers (ESCs). The ESCs are located at the Southwest warehouse location on South Post Oak and at the Northeast warehouse location on Neches.

SWM maintains a fleet of vehicles to collect waste and recycling, and they are operated out of each of the four warehouses. SWM also purchases and rents carts, both waste and recycling, to SWM customers. These carts are offered in three categories: non-resident garbage, extra container garbage, and container lease fee. These are billed monthly by Houston Public Works (HPW), and charges appear on City of Houston water bill invoices. In addition to cart rentals, SWM also repairs rental carts when requested. Cart rentals and repairs are requested through the City of Houston's 311 call center and assigned out through the Field Maps Application, effectively serving as the work order system designed to communicate and track customer requests. Based on information provided to us, the budgeted revenue for all three areas of cart rental fees ranges from \$485,000 to \$624,000 per month.

### **AUDIT OBJECTIVES AND SCOPE**

#### **Objectives**

The objectives of this performance audit were to assess the processes and procedures in place to determine the appropriate levels of waste and recycling cart inventory and to assess management of funds related to cart leasing.

#### **Scope**

The audit scope covered fiscal year 2023. The engagement was conducted in three phases:

1. Preliminary Survey Planning
2. Fieldwork

### 3. Reporting

Our audit procedures addressed seven process areas: 1) cart procurement, 2) cart inventory receipt, 3) cart warehouse management, 4) warehouse shipping, 5) customer account set up and billing, 6) cart return and repairs, and 7) cart rental revenue.

#### **PROCEDURES PERFORMED**

To obtain sufficient, appropriate evidence to achieve the engagement objectives and related audit conclusions, we performed the following:

##### **Preliminary Survey Planning (Phase 1)**

The goal of Phase 1 was to lay the groundwork for the engagement, including initial data requests, gathering information, analysis and risk identification and assessment, process identification and documentation, and inquiries and interviews. Activities included, but were not limited to, the following:

- Conducted an opening meeting with the Audit Division of the Office of the City Controller City of Houston and SWM representatives.
- Submitted an initial information request list.
- Interviewed SWM staff to understand key processes within Solid Waste Management and conducted walkthroughs of each key process area.
- Conducted and documented the audit risk assessment and created an audit work program.
- Prepared process flow diagrams to document the operation design of in-scope processes.

##### **Fieldwork (Phase 2)**

The goal of Phase 2 was to gather evidence, analyze, and evaluate that evidence to meet the stated audit objectives and support the audit conclusion. Activities included, but were not limited to, the following:

- Substantive testing of identified risk areas.
- Summarization of testing results.

##### **Reporting (Phase 3)**

The goal of Phase 3 was to document support for conclusions and to communicate those conclusions to stakeholders. Activities included, but were not limited to, the following:

- Preparation of a formal audit report, including draft findings, commendations, and recommendations.
- Audit workpaper documentation to support conclusions reached.



## **METHODOLOGY**

We conducted this performance audit under the direction of the Audit Division of the Office of the City Controller City of Houston, in accordance with Generally Accepted Government Auditing Standards and in conformance with The Institute of Internal Auditors’ (The IIA) International Standards for the Professional Practice of Internal Auditing (Standards). Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our work did not constitute an evaluation of the overall internal control structure of SWM or the City of Houston. Management is responsible for establishing and maintaining a system of internal controls to ensure that City assets are safeguarded, financial activity is accurately reported and reliable, and management and employees are compliant with laws, regulations, and policies and procedures. The objectives are to provide management with reasonable, but not absolute, assurance that the controls are in place and effective.

## **CONCLUSIONS**

The processes and procedures currently in place do not allow SWM to determine the appropriate levels of trash and recycling cart inventory or cart leasing revenue effectively or efficiently. We identified areas where enhancements to processes and internal controls will improve the department’s ability to:

- Provide operational expectations and guidance through documented policies and procedures;
- Monitor and reconcile cart rental services;
- Provide warehouse inventory detail, physical inventory confirmation, and security;
- Develop cross-departmental coordination;
- Reconcile and monitor departmental revenue;
- Utilize cost benefit analysis to support cart return and repair; and
- Determine and communicate the most efficient initial cart delivery quantities by warehouse location.

For detailed findings, recommendations, management responses, comments and assessments of responses see the “Detailed Findings, Recommendations, Management Responses, and Assessment of the Responses” section of the report.

## **ACKNOWLEDGEMENT**

We would like to thank the Audit Division of the Office of the City Controller City of Houston and the SWM management and staff for their professionalism, cooperation, time, and efforts throughout the course of this engagement.

## **DETAILED FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES, AND ASSESSMENT OF RESPONSES**

### **Finding #1 – Lack of Current and Comprehensive Policies and Procedures**

Risk Rating – High  
(Impact and Magnitude)

#### **Background**

Policies and procedures should define standards for business process operations in accordance with applicable laws, regulations and management expectations and should support efficient internal processes and management oversight. To be effective, policies and procedures must be current and available to team members, and any changes must be timely communicated to impacted parties.

#### **Finding**

A complete set of current, documented policies and procedures was not available for SWM key process areas. The Solid Waste Management Departmental Standard Operating Manual was last updated in 1996 and did not accurately reflect the current operating environment and systems used.

#### **Recommendation**

We recommend that management review and update the Standard Operating Manual to reflect the current operating environment including purchasing, warehouse receiving, warehouse/inventory management, shipment and billing, cart return and repair, revenue management, and other key areas identified by management; train key personnel on updated operating guidelines; and periodically review and update the manual on a regular basis going forward, including when any significant changes impact the operating environment.

#### **Management Response**

SWM recognizes the importance of having current policies and procedures in place to maintain a system of internal controls that govern operations associated with these and other departmental operations. As the Department is now in the process of conducting a comprehensive review of internal policies and procedures, SWM will establish and or update policies and procedures associated with the cart lease program. The Department will further ensure all changes reflect the current operating environment and are timely communicated to impacted parties for implementation.

#### **Responsible Party**

Karen Bledsoe

#### **Estimated Date of Completion**

April 9, 2025



### **Assessment of Response**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **Finding #2 – Lack of Sufficient Cart Management**

Risk Rating – High  
(Impact and Magnitude)

### **Background**

Customers contacting City of Houston 311 to order cart services either have an account set up or their water account is amended to reflect new cart rental. Customer orders are accurately fulfilled. Orders not delivered are either rescheduled or placed back into available inventory. Shipments from the warehouse are authorized and documented, align to existing customer accounts, and the detailed inventory listing is timely updated to reflect shipments. Customer information is confirmed for accuracy and communicated to the billing entity, and physical delivery initiates customer billing to ensure correct and timely customer invoicing.

### **Finding**

A reconciliation was not consistently performed between 311 call logs, the Field Maps system, and customer invoicing to ensure work order requests were adequately and timely addressed and accurately and timely captured on customer invoices.

A sample of 29 City of Houston 311 call center requests for cart delivery services was selected for cart issuance testing, and a sample of 25 call center requests was selected for cart return, replacement, and repair requests testing. For both cart issuance testing and cart return, replacement, and repair testing, each sample was tested to ensure it was actioned and completed timely, and customer billing updates were performed timely and accurately. Performance of these processes required each customer request to be initiated in the City of Houston 311 call center request log, be communicated to the Field Maps Application, an application providing work order management, and concluded with notification to customer invoicing allowing for updates to the customer account should delivered services be subject to invoicing.

Key testing results associated with cart issuance included cart deliveries with initial invoice date prior to delivery date, invoicing of carts without evidence of delivery, invoiced cart rates that did not tie to published City of Houston cart rental rates, and invoiced cart rates for additional carts that did not tie to the number of additional carts delivered.

Key testing results associated with cart return, replacement, and repair requests testing included cart rental returns that did not reflect stoppage of the cart rental fees following cart return and cart returns that did not include a respective Field Maps Application work order.

### **Recommendations**

We recommend that management implement a process to routinely reconcile cart activity between 311 call logs, the Field Maps system, and customer invoicing, to include assessment of aging and follow ups on outstanding items.

### **Management Response**

The Department will create or expand upon internal control framework associated with the cart lease program which includes drafting and implementing policies and procedures that ensures SWM consistently reconciles cart activities that include 311 call logs/cart rental requests, customer invoicing, follow-up actions and work orders. The Department will also adjust its current organizational structure to improve the management and oversight of the Container Lease Program. The Department will do this while paying special attention to the starting and stoppage of cart fees for residents using the service, thereby ensuring accuracy and timeliness of associated service charges.

### **Responsible Party**

Veronica Lizama

### **Estimated Date of Completion**

April 9, 2025

### **Assessment of Response**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

### **Finding #3 - Lack of Comprehensive Warehouse Management**

Risk Rating – High  
(Impact and Magnitude)

#### **Background**

Policies and procedures are implemented and followed to ensure warehouse inventory is secured, documented upon receipt regarding description and location, and quantity is available and known for issuance as needed. Inventory is physically counted and reconciled against inventory records.

#### **Finding**

Inventory lists were not maintained on a detailed level, inventory cycle counts were not performed, and full monthly inventory counts were not consistently performed and documented.

A detail listing or count of carts was not maintained and available to support cart inventory management. Carts were received against an approved purchase order and entered in detail into the SAP accounts payable system to allow the vendor invoice to be processed and paid, but the detail was not used in conjunction with a perpetual-type inventory listing capable of generation a detailed inventory listing.

Our procedures identified a lack of detailed inventory listings and a process to manage and monitor items within inventory through a physical count confirmation process. Management was unable to provide a current physical inventory count and was unable to provide a current list of carts issued from inventory. The warehouse inventory receiving process generated the detail necessary to initiate data capture to create and maintain a detailed inventory listing, effectively initiating a perpetual inventory process; however, information was not captured documenting inventory receipt, warehouse location assignment, movement, and shipment out of the warehouse.

#### **Recommendation**

We recommend that management develop and document procedures for warehouse inventory management to include in the Standard Operating Manual, including periodic counts of warehouse inventory.

#### **Management Response**

The Department will create or expand its internal control framework associated with the cart lease program which includes drafting and implementing policies and procedures that ensures SWM cart lease program management maintain detailed inventory lists, perform inventory cycle counts, as well as conduct full monthly inventory counts that include a physical count confirmation process. In addition to this, SWM The Department will also adjust its current organizational structure to improve the management and oversight of the Container Lease Program. Managers will be required to regularly and

accurately maintain records associated with inventory receipt, warehouse location assignment, inventory movement, and shipments from warehouses.

**Responsible Party**

Karen Bledsoe

**Estimated Date of Completion**

April 9, 2025

**Assessment of Response**

Management’s response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **Finding #4 – Lack of Cross-Departmental Coordination**

Impact – High  
(Impact and Magnitude)

### **Background**

Roles and responsibilities are defined and documented with key third parties and other City departments providing assistance and supplementary activities to support SWM operations, ensuring alignment of expectations.

### **Finding**

While the HPW performed customer billing activities for SWM, we were not provided an agreement with the HPW defining services to be performed and metrics to be provided to monitor satisfactory completion of services.

### **Recommendation**

We recommend that management, in collaboration with HPW management, formally define activities to be performed, roles and responsibilities of each party, communication protocols, reporting requirements, and key metrics to monitor and ensure satisfactory completion of services.

### **Management Response**

The Department will review services and associated responsibilities performed by HPW and secure an agreement between both parties defining services to be performed and metrics provided to facilitate efficient completion of services. SWM will coordinate planning meetings with HPW managers associated with the program to clearly define actions to be performed, duties and responsibilities of each party, communications protocols, and metrics to be monitored for the program. The Department will include this information in its updated Standard Operating Manual and ensure all internal managers are advised of changes and requirements.

### **Responsible Party**

Wealthia White

### **Estimated Date of Completion**

April 9, 2025

### **Assessment of Response**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.



## **Finding #5 – Lack of Revenue Reconciliation and Monitoring**

Risk Rating – High  
(Impact and Magnitude)

### **Background**

Periodic analysis of revenue is performed to monitor revenue received compared to departmental activity.

### **Finding**

A formal monthly review and analysis of revenue was not completed by Solid Waste Management to align departmental activity with revenue received.

SWM customer invoicing was processed by the HPW. A monthly activity report was provided from HPW to SWM, but SWM did not fully understand the information included in the report, including how the report was generated or what the information represented; as such, SWM was unaware of how to utilize the report in monitoring departmental revenue. Further, SWM provided a two-year revenue budget but was unable to explain how the budget was utilized in managing SWM.

### **Recommendation**

We recommend management request and review information to gain better insight into the monthly invoicing process inclusive of all accounts billed and related details to assess the completeness and accuracy of customer billing. Information provided HPW should be well defined regarding what is being reported and how it was compiled to ensure that the information is utilized properly.

### **Management Response**

SWM acknowledges the importance of accurately accounting for revenue associated with this service to the public and will immediately implement requirements for a monthly review, analysis, and reporting of revenue associated with this program. The SWM Finance Division will develop an **internal process** for review, analysis, and reporting and compare results with HPW findings for consistency. SWM leaders will meet with HPW counterparts on a quarterly basis to verify the accuracy of details and findings. SWM managers will further be directed to gain a better understanding of monthly invoicing processes to facilitate accurate reporting of revenue on a regular basis.

### **Responsible Party**

Wealthia White

### **Estimated Date of Completion**

April 9, 2025



### **Assessment of Response**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **Finding #6 – Lack of Cost Benefit Analysis Data Supporting Cart Return and Repair**

Risk Rating – Medium  
(Impact and Magnitude)

### **Background**

The issuance and cost of cart repair parts and labor costs is captured and documented within the warehouse management process, allowing analysis to be completed on the cost of cart repair.

### **Finding**

An overall cost benefit analysis was not performed to support decisioning on cart repair versus cart replacement.

Cart repair requests were undertaken upon request without a financial assessment to consider replacing the cart as opposed to repairing it. Cart repair costs, parts, and labor were not consistently captured allowing for cost assessment.

### **Recommendation**

We recommend management consider periodically performing a cost benefit analysis of cart repair versus cart replacement, inclusive of costs to repair carts based on type of damage, considering material and labor; in addition, we recommend management consider instances in which pursuit of warranty claims may be beneficial.

### **Management Response**

The Department will review actions associated with cart repair services as well as conduct an internal audit and analysis of repair, parts, and labor costs to determine the best cost and efficiency-based ways to repair or replace damaged carts going forward. Per the previous response in Findings 3, the planned adjustments to its current organizational structure to improve the management and oversight of the Container Lease Program will require SWM managers to review warranty guidelines from vendors to determine when and if damage may be attributed to errors in manufacturing and when filing a warranty claim may be feasible. The corresponding leader(s) will be responsible for the corresponding contract and ensuring features are executed accordingly. SWM will implement policies and procedures to ensure cost benefit analysis is the driving factor for determining repair or replacement actions associated with the program.

### **Responsible Party**

Karen Bledsoe



**Estimated Date of Completion**

April 9, 2025

**Assessment of Response**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **Finding #7 - Cart Management Delivery Locations**

Risk Rating – Low  
(Impact and Magnitude)

### **Background**

The quantity of initial cart deliveries from vendors to a given warehouse location should correspond to the number of cart issuances from each warehouse location, reducing the need for cart transfers between warehouse locations. Historical cart issuance volume by warehouse should be considered in evaluating initial warehouse cart delivery location.

### **Finding**

Waste and recycling carts were purchased and delivered twice per year. The delivery instructions on the purchase order stated that an equal number of carts were to be delivered to each of the four warehouses; however, the use of carts was not uniform across warehouse locations resulting in cart transfers between warehouses.

Although not formally documented and available for review, it was communicated that issuances from each warehouse have consistently materially varied over the last several years, requiring transfers of carts from lower issuance level warehouses to higher issuance level warehouses.

### **Recommendation**

We recommend management periodically evaluate warehouse cart delivery location inventory issuances and use those evaluations when determining the quantity to be received by a given warehouse.

### **Management Response**

The Department recognizes the efficiencies that may be had as a result of using historical data relating to cart issuances from each cart warehouse thereby reducing the need for transfers from one to another. SWM will implement policies and procedures that require managers for the program to make better use of this information to both streamline cart delivery warehouse operations and reduce delivery times to service customers.

### **Responsible Party**

Karen Bledsoe

### **Estimated Date of Completion**

August 1, 2024



### **Assessment of Response**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **COMMENDATIONS**

We appreciated the consistency and documentation available within warehouse inventory receipt and acceptance. We were also impressed with the knowledge of the cart management process beyond the receiving process by the Warehouse Senior Superintendent who demonstrated detailed knowledge of the receiving process as well as processes tangential to receiving. Consideration should be given to including this individual in the creation and development of policies, procedures, and internal controls due experience and knowledge.



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## **Appendix A – Management Responses**





CITY OF HOUSTON
Solid Waste Management Department

John Whitmire
Mayor

Mark C. Wilfalk
Director, Solid Waste
Management Department
611 Walker St., 12th Floor
Houston, Texas 77002

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January 17, 2024

Auditor Courtney Smith
Office of the City Controller
City of Houston
901 Bagby Street
Houston, Texas 77002

Dear Auditor Smith,

The Audit Division of the Office of the City Controller City of Houston conducted a performance audit of Solid Waste Management (SWM) Cart Inventory Management on December 4, 2023. This response complies with the authority found in Article VIII, Section 7 of the Code of Ordinances for the City of Houston.

FINDING #1

The Solid Waste Management Department lacks current comprehensive policies and procedures to administer the cart lease program.

Table with 3 columns: Agree/Disagree with Recommendation, Target Date to complete implementation activities, Name and phone number of specific point of contact for implementation. Row 1: Agree, April 9, 2025, Karen Bledsoe 832.393.7933

SWM Response to Finding 1

SWM recognizes the importance of having current policies and procedures in place to maintain a system of internal controls that govern operations associated with these and other departmental operations. As the Department is now in the process of conducting a comprehensive review of internal policies and procedures, SWM will establish and or update policies and procedures associated with the cart lease program. The Department will further ensure all changes reflect the current operating environment and are timely communicated to impacted parties for implementation.

**FINDING #2**

**SWM lacks sufficient cart management operations.**

<b>RECOMMENDATION 2</b> Management should implement a process to routinely reconcile cart activity between 311 call logs, the Field Maps system, and customer invoicing, to include assessment of aging and follow ups on outstanding items.		
<b>Agree/Disagree with Recommendation</b>	<b>Target Date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	April 9, 2025	Veronica Lizama 832.393.0463

**SWM Response to Finding 2**

The Department will create or expand upon internal control framework associated with the cart lease program which includes drafting and implementing policies and procedures that ensures SWM consistently reconciles cart activities that include 311 call logs/cart rental requests, customer invoicing, follow-up actions and work orders. The Department will also adjust its current organizational structure to improve the management and oversight of the Container Lease Program. The Department will do this while paying special attention to the starting and stoppage of cart fees for residents using the service, thereby ensuring accuracy and timeliness of associated service charges.

**FINDING #3**

**SWM lacks comprehensive warehouse management operations.**

<b>RECOMMENDATION 3</b> Management should develop and document procedures for warehouse inventory management, including periodic counts of warehouse inventory and add to Standard Operating Manual.		
<b>Agree/Disagree with Recommendation</b>	<b>Target Date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	April 9, 2025	Karen Bledsoe 832.393.7933

**SWM Response to Finding 3**

The Department will create or expand its internal control framework associated with the cart lease program which includes drafting and implementing policies and procedures that ensures SWM cart lease program management maintain detailed inventory lists, perform inventory cycle counts, as well as conduct full monthly inventory counts that include a physical count confirmation process. In addition to this, SWM The Department will also adjust its current organizational structure to improve the management and oversight of the Container Lease Program. Managers will be required to regularly and accurately maintain records associated with inventory receipt, warehouse location assignment, inventory movement, and shipments from warehouses.

**FINDING #4**

**Lack of Cross-Departmental Coordination with other City departments supporting the cart leasing program.**

<b>RECOMMENDATION 4</b> SWM should, in collaboration with HPW management, formally define actions to be performed, roles and responsibilities of each party, communication protocols, reporting requirements, and key metrics to monitor ensuring satisfactory completion of services.		
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Agree/Disagree with Recommendation	Target Date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	April 9, 2025	Wealthia White 832.393.0446

**SWM Response to Finding 4**

The Department will review services and associated responsibilities performed by HPW and secure an agreement between both parties defining services to be performed and metrics provided to facilitate efficient completion of services. SWM will coordinate planning meetings with HPW managers associated with the program to clearly define actions to be performed, duties and responsibilities of each party, communications protocols, and metrics to be monitored for the program. The Department will include this information in its updated Standard Operating Manual and ensure all internal managers are advised of changes and requirements.

**FINDING #5**

**Lack of Revenue Reconciliation and Monitoring for the Program within the Department.**

<b>RECOMMENDATION 5</b>		
SWM management should request and review information to gain better insight into the monthly invoicing process inclusive of all accounts billed and related details to assess the completeness and accuracy of customer billing. Note: Information provided by HPW should be well defined regarding what is being reported and how it was compiled to ensure that the information is properly utilized by SWM.		
Agree/Disagree with Recommendation	Target Date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	April 9, 2025	Wealthia White 832.393.0446

**SWM Response to Finding 5**

SWM acknowledges the importance of accurately accounting for revenue associated with this service to the public and will immediately implement requirements for a monthly review, analysis, and reporting of revenue associated with this program. The SWM Finance Division will develop an **internal process** for review, analysis, and reporting and compare results with HPW findings for consistency. SWM leaders will meet with HPW counterparts on a quarterly basis to verify the accuracy of details and findings. SWM managers will further be directed to gain a better understanding of monthly invoicing processes to facilitate accurate reporting of revenue on a regular basis.

**FINDING #6**

**Lack of Cost Benefit Analysis Data Supporting Cart Return and Repair Operations.**

<b>RECOMMENDATION 6</b>		
Management should consider periodically performing a cost benefit analysis of cart repair versus cart replacement, inclusive of costs to repair carts based on type of damage, considering material and labor; in addition, we recommend management consider instances in which pursuit of warranty claims may be beneficial.		
Agree/Disagree with Recommendation	Target Date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	April 9, 2025	Karen Bledsoe 832.393.7933

**SWM Response to Finding 6**

The Department will review actions associated with cart repair services as well as conduct an internal audit and analysis of repair, parts, and labor costs to determine the best cost and efficiency-based ways to repair or replace damaged carts going forward. Per the previous response in Findings 3, the planned adjustments to its current organizational structure to improve the management and oversight of the Container Lease Program will require SWM managers to review warranty guidelines from vendors to determine when and if damage may be attributed to errors in manufacturing and when filing a warranty claim may be feasible. The corresponding leader(s) will be responsible for the corresponding contract and ensuring features are executed accordingly. SWM will implement policies and procedures to ensure cost benefit analysis is the driving factor for determining repair or replacement actions associated with the program.

**FINDING # 7**

**Lack of proper cross-leveling of warehouse cart inventory based on historical data.**

<b>RECOMMENDATION 7</b>		
SWM should periodically evaluate warehouse cart delivery location inventory issuances and use those evaluations when determining the quantity to be received by a given warehouse.		
<b>Agree/Disagree with Recommendation</b>	<b>Target Date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	August 1, 2024	Karen Bledsoe 832.393.7933

**SWM Response to Finding 7**

The Department recognizes the efficiencies that may be had as a result of using historical data relating to cart issuances from each cart warehouse thereby reducing the need for transfers from one to another. SWM will implement policies and procedures that require managers for the program to make better use of this information to both streamline cart delivery warehouse operations and reduce delivery times to service customers.

We look forward to correcting the above-listed deficiencies and providing your Office with an update once all actions are completed. If you have any questions regarding this action plan or the Solid Waste Management Department, please contact Mark Anderson, SWMD CoS, at [mark.anderson@houstontx.gov](mailto:mark.anderson@houstontx.gov) .

Respectfully,



Mark C. Wilfalk  
Director, Solid Waste Management Department

cc: Houston Public Works Customer Account Services Division

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**City Auditor**

Courtney Smith, CPA, CIA, CFE

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Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>