



# CITY OF SAN ANTONIO

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September 7, 2006

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Daniel V. Cardenas  
Director, Environmental  
Services Department

Ladies and Gentlemen:

**SUBJECT: Audit of Environmental Services Department – Solid Waste Division – Timekeeping Processes**

We are pleased to send you the report and Management responses for an audit of the Environmental Services Department (ESD) – Solid Waste Division – Timekeeping Processes. This audit began in December 2005 and concluded with an exit conference with ESD Management in May 2006.

ESD Management and Staff should be commended for their cooperation and assistance during this audit. City Management's Corrective Action Plan indicates acceptance of all (i.e., thirteen) report recommendations.

The Internal Audit Department appreciates the opportunity to have performed this review and is available to discuss this material with you individually at your convenience.

Respectfully submitted,

Mark S. Swann CPA, CIA, CISA  
Interim City Auditor

cc: Leticia Vacek, City Clerk



**CITY OF SAN ANTONIO**  
**INTERNAL AUDIT DEPARTMENT**

**Audit of Environmental Services Department  
Solid Waste Division**

**Timekeeping Processes**

**Project No. AU06-002**

**Issue Date: September 7, 2006**

**Mark Swann CPA, CIA, CISA  
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Frank Cortez CIA, CISA, CISSP  
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## EXECUTIVE SUMMARY

### **Overview**

An audit of the Environmental Services Department (ESD), Solid Waste Division's (SWD) timekeeping processes has been completed. The objectives of the audit were to review the adequacy of the internal control environment, assess compliance with applicable City of San Antonio (COSA) and ESD policies and procedures, and review the impact and cost of the incentive pay program.

This audit report includes background information to assist readers in understanding ESD's solid waste services provided, timekeeping processes, and the incentive pay program known as the "Task System."

### **Results In Brief**

Based on a review of ESD's Solid Waste Division, opportunities exist to enhance controls and reduce departmental costs. The audit report recommends the following action plan for ESD Management:

- Strengthen the safety program by reallocating staff and financial resources to ensure that safety is properly being managed and addressed
- Re-evaluate the practice of paying employees for time not worked and overtime payments to employees working less than forty hours a week
- Improve the internal control environment by:
  - Updating timekeeping procedures
  - Performing supervisory review of overtime expenditures
  - Implementing segregation of duties related to the timekeeping function
  - Complying with City Administrative Directives and ESD procedures
- Reengineer timekeeping processes to eliminate duplicate tasks, including the feasibility of upgrading to an automated timekeeping system that interfaces with the ERM/SAP System

In addition, ESD Management should evaluate the cost effectiveness of its Task System. The estimated cost of the Task System is \$1.6 million for undertime (difference between actual hours worked and the paid 10 hour work day). Also, other costs may be influenced by the Task System, such as overtime, preventable accidents, missed garbage pick-ups, vehicle maintenance, and workers' compensation.

Furthermore, solid waste collection is widely considered one of the most dangerous professions. ESD should make every effort to encourage Solid Waste Collection Workers to place emphasis on safety, not speed. ESD should provide sufficient opportunities for training and education relating to safety. Safety standards must be implemented, enforced and adhered to by employees and supervisors. While ESD does have safety guidelines in place, the Department has only one person to provide training and develop safety related material for these employees.

## INTRODUCTION

### **Background**

In 2001, the Environmental Services Department (ESD) was created during a reorganization of the Public Works Department. The Solid Waste and Environmental Services Divisions were transferred from the Public Works Department to create the ESD. ESD's mission is to enhance the City's health, safety and welfare, by providing the highest quality of environmental services.

Environmental and solid waste services are accounted through the Environmental Services Fund, which is an enterprise fund. The primary sources of revenue for this fund in fiscal year 2005 are from a monthly solid waste fee of \$9.71, a brush fee of \$1.20, and an environmental fee of \$1.30. These fees are assessed to citywide customers as part of the City Public Service (CPS) Energy billing. The combined monthly fee for residential customers was \$12.21. ESD provided solid waste-related services to more than 320,000 residential units, including 37,400 residential customers served by contract hauling companies. Total monthly fees have increased to \$13.99 for 2006.

Throughout fiscal year 2005, the Solid Waste Division employed 419 full-time, part-time, and temporary employees as Solid Waste Collection Workers. The Solid Waste Division also employs Brush, Recycling and Dead Animal Workers that are either salaried or paid for actual hours worked. Solid Waste Collection Workforce are paid under an incentive pay program called the "Task System." The Task System pays Solid Waste Collection Workers based on completion of a daily route, not on actual hours worked each day.

ESD Management defines a route as completing a workload standard of 63 tons of solid waste collection per week per crew (approximately 1,200 homes each day). This average tonnage is equivalent to 40 hours of work per week according to ESD Management. As tonnage varies from season to season, actual hours worked per day and/or week may vary.

The Solid Waste Division is responsible for collecting solid waste generated by homes within the City of San Antonio. The City is divided into four Service Centers: Northwest, Northeast, South-Central, and Southeast. These Service Centers provide bi-weekly collection of residential garbage, weekly curbside collection of residential recyclables, dead animal collection, downtown night garbage collection, and the bi-annual collection of residential brush and bulky items.

### **Overview of Timekeeping Process**

Solid Waste Collection Workers at the Service Centers are non-exempt full-time, part-time and temporary employees that use time cards to record the hours worked. The time cards document employee arrival and departure, as well as the number of overtime hours worked on any given day. In addition, time and attendance worksheets (TAW) are completed by each Service Center's Route Supervisors and delivered daily to Time Administrators (TAs) in the Payroll/Personnel unit at the ESD Grandstand location.

TAWs are used to record exceptions to the normal work week; such as annual leave, vacation, overtime, and higher classification pay hours. Although Solid Waste Collection personnel are non-exempt, only exceptions need to be recorded for full-time employees. For part-time and temporary employees, TAs must record 10 hours per day. If the TAW indicates that an employee is requesting, or has taken leave, the TAs complete a leave request form for the time not worked. The notice of leave form is signed by the employee and the supervisor.

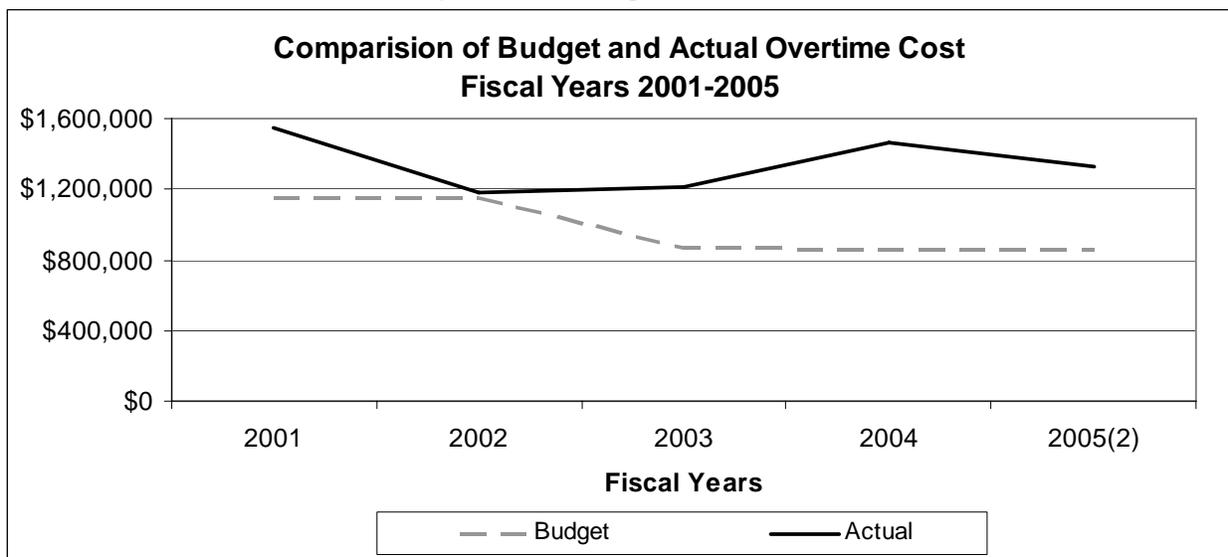
On Thursdays before the end of each pay period, the Superintendent and/or Assistant Superintendent collect the time cards and delivers them to the Payroll/Personnel unit at the Grandstand location. The time cards are compared to the TAWs. Any discrepancies between the two documents are discussed with the appropriate Service Center Supervisors or Superintendents for resolution.

### Incentive Pay Program known as the “Task System”

The City’s Solid Waste Division uses a Task System to improve the efficiency of the Solid Waste Collection Crews. Under this approach, Solid Waste Collection Workers may go home after completion of their daily route. This is normally earlier than the ten hour work day. According to ESD Management, this approach provides a built-in motivation for workers to complete the routes in a timely manner. However, when a Solid Waste Collection Worker completes a route early, the Service Center Supervisors can ask employees to assist in other collection routes. This results in overtime pay even though the employee has not worked over their normal work shift (i.e. 10 hours per day, 4 days a week).

During fiscal year 2005, the ESD paid its employees over \$1.3 million in overtime; approximately \$732,000 of this total to the Solid Waste Collection Workforce. **Exhibit 1** illustrates ESD’s budget and actual overtime expenditures for the last five fiscal years. The exhibit shows that actual overtime has consistently exceeded budget.

**Exhibit 1 – Comparison of Budget and Actual Overtime Costs**



Source: (1) FAMIS Reports #69 – Expenditures by Section – Operating Funds Only  
(2) ERM/SAP System

### Criteria

In conducting the audit, existing ESD operations and processes were compared with the cities of Dallas, Austin, Denton, Phoenix and San Diego. Research of business processes from these cities provided substantial information about trends in organization, personnel and management practices. The City of Los Angeles’ Best Practices Report 2000 was also used to gain an understanding of best practices in this area.

In 2000, the City of Los Angeles, Solid Resources Collection Division surveyed the solid resources collection industry for innovative “best practices” that might help improve operating procedures and the bottom line cost. The City of San Antonio was one of 14 participating agencies. The benchmarking objective was to identify current best practices, procedures, and programs used at diverse organizations and to document trends within the industry.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework, the Control Objectives for Information and related Technology (CobIT), and the Sobel Risk Management Capability Matrix were used as criteria to measure controls and processes.

In addition, audit reports and studies from other municipalities on timekeeping and the Task System provided information about necessary controls. The City of El Paso, Financial and Operational Study

performed by R.W. Beck in August 2004 was also used in evaluating controls. This study provided an example of controls and best practices related to solid waste operations.

### **Audit Objectives and Scope**

The objectives of the audit were to:

- Evaluate the adequacy of the internal control environment for the timekeeping processes
- Assess compliance with applicable City of San Antonio (COSA) and ESD policies and procedures and other applicable rules and regulations
- Review the impact and cost of the incentive pay program, referred to as the Task System

The scope of the audit was October 1, 2004 through February 28, 2006. It included a review of 60 Solid Waste Collection Employee timecards and TAWs, as well as a comparison of this data to information posted in the ERM/SAP System.

### **Methodology**

The methodology used for this project, generally, included the following techniques:

- Conducting analyses to identify key internal controls within ESD's timekeeping processes
- Interviewing ESD's Payroll/Personnel staff and Service Center Area Superintendents
- Conducting site visits of the four Service Centers
- Observing timekeeping processes
- Sampling and testing transactions which were selected through statistical methods
- Analyzing timecards and TAWs
- Comparing selected timecards and TAWs to data posted in the ERM/SAP System

The review was performed in compliance with generally accepted government auditing standards issued by the U.S. Government Accountability Office.

### **Risk Assessment Capability**

Based on the Risk Management Capability Matrix, as described in **Attachment A** on page 12, it was determined that the maturity level of ESD's timekeeping processes capabilities in the Solid Waste Division were at the "Repeatable" stage. Formal procedures for some timekeeping functions have not been developed or were out-dated. There were infrequent monitoring and supervisory review of timekeeping activities at the Service Centers. ESD's Management goal should be to strengthen timekeeping processes to the point where they are "Managed." At this stage, procedures and internal controls are well documented and kept current. Both preventive and detective controls are employed throughout the timekeeping process. Many metrics are used, with a blend of automated and manual monitoring of performance.

**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

**1. Resources dedicated to the safety program are insufficient**

**Observation**

Staffing resources for providing necessary safety related functions are insufficient. ESD has one safety coordinator in place to research, develop and manage the safety program for the department. This employee provides required safety training to the 575 ESD employees. The safety coordinator provides safety training regarding rules and regulations relating to accident prevention, injury and vehicle accident reporting, equipment safety responsibilities, driving, and workplace standards.

According to Laura Morsch, Career Builder.com, garbage and recyclable material collectors is the fifth most dangerous job in the United States. ESD has only dedicated one safety coordinator for roughly 575 full-time equivalent employees. In 2005, ESD had approximately 479 accidents. **Exhibit 2** reflects a summary of the cost to date for these accidents.

**Exhibit 2 - Safety Accidents in Fiscal Year 2005**

<b>Accident Type</b>	<b>Number of Accidents</b>	<b>Paid to Date Total</b>
General Property Damage	128	\$ 2,605
Auto Liability Property Damage	99	81,228
Auto Liability Bodily Injury	18	31,240
Workers Compensation (WC)	<u>234</u>	<u>543,806</u>
Totals	<u>479</u>	<u>\$658,879</u>

Source: Risk Management Division

ESD has made ad-hoc attempts in providing administrative support to the safety coordinator from within their current staff. However, these attempts have not been effective due to the large number of employees and the volume of accidents generated by these employees. The limited number of safety personnel has contributed to delays in completing reviews and closing out of accidents. It is critical that a safety program be properly staffed when employing the current Task System. Employees working under a Task System are at a higher risk of accidents because they are motivated to complete their routes early and/or possibly receive overtime pay.

A benchmark analysis of safety resources allocated to Solid Waste Departments was performed. The cities of Houston, Dallas, Austin, and Denton were used in this analysis. Survey results reflect that ESD has a higher ratio of employees per safety personnel as compared to the cities surveyed. **Exhibit 3** shows ESD having a ratio of 575 employees per safety staff, as compared to Houston's 134, Dallas' 288, Austin's 59 and Denton's 28.

**Exhibit 3 – Comparison of Safety Staff Resource Allocation of Solid Waste Departments As of March 2006**

<b>Location</b>	<b>San Antonio</b>	<b>Houston</b>	<b>Dallas</b>	<b>Austin</b>	<b>Denton</b>
Number of safety positions	1	4	2	7	3
Number of employees	575	535	575	413	85
Average number of training hours per year for each employee	30	50	24	16	70
Ratio of number of departmental employees per safety staff	575	134	288	59	28

Source: Survey and interviews

**Risk**

Lack of safety resources may be detrimental to the operations of the department. The risk of increased injuries, accidents and workers' compensation claims increases when a safety program is not maintained or fully staffed. The Task System is more effective if employees are fully trained and made aware of the proper safety guidelines and practices.

**Recommendations**

ESD Management should strengthen its safety program by reallocating staff and financial resources to ensure that staff are properly trained and following safety guidelines. Thus, this would reduce the risk of employee injuries and cost to the City of San Antonio.

## **2. Management and internal controls need strengthening**

City Executive Management is responsible to ensure that City Departments establish procedures for effective administration and efficient operations of Department processes. According to Internal Control-Integrated Framework of the Committee on Sponsored Organizations (COSO) of the Treadway Commission, control activities are the policies and procedures that help ensure management directives are carried out as intended. They include approvals, authorizations, verifications, reconciliations, and segregation of duties.

### **Observations**

The following control weakness were identified:

- Lack of segregation of duties exist relating to Time Administrator (TA) functions. TAs are able to enter and approve time in the ERM/SAP System for the department. There is no independent verification of the worked performed by the TAs.
- Timekeeping procedures do not provide clear direction to employees for completing timecards and TAWs consistently.
- There is no supervisory review of overtime.
- Time cards are not always signed by both the employee and supervisor. There were 159 out of 224 time cards that were lacking the employee and/or supervisor signatures for the Northeast Service Center in March 2005.
- A previous Time Administrator, which transferred to the customer service unit within ESD, still has the timekeeping role in the ERM/SAP System.

### **Risk**

Without formal procedures to guide employees and weak internal controls, the risk increases that errors and irregularities might occur and go undetected.

### **Recommendations**

To improve the Management and internal control issues identified, ESD Management should implement the following:

- Develop and/or update formal written procedures for timekeeping processes
- Segregate the timekeeping functions so that someone independent reviews and approves time entry in the ERM/SAP System
- Ensure that supervisory review and approval of overtime is performed
- Review timekeeping access in the ERM/SAP System and ensure that only appropriate personnel are assigned this role

**3. Task System impact on operations**

ESD Management has utilized an incentive pay program called the “Task System” for over 20 years. This incentive program pays Solid Waste Collection Workers based on completion of a daily route, not on actual hours worked for the day.

ESD Management indicated that the Task System provides the following advantages:

- Solid Waste Collection Workers may finish early, avoiding prolonged exposure to heat and exhaustion
- Waste collection is only performed during the morning rush hour, not the afternoon rush hour; thus, lowering the possibility of accidents and accident related injuries to employees and the public
- Waste collection is performed while children are in school; thus, avoiding accidents with children playing in the street
- Is a cost savings when compared to a flat hourly rate

However, there is no documentation to support these assumptions. The *South Carolina Municipal Benchmarking Project – Beyond the Data to Tangible Results*, published in 2002, states that, “...no significant differences were found between the productivity (defined as tons collected by FTE) of employees under the task system compared to the productivity of employees working a traditional eight hour day. Although it does not seem to result in greater productivity, the task system most likely has a positive effect on employee satisfaction.”

**Observations**

**Excessive overtime pay (difference between actual hours worked and the paid 10 hour work day)**

In fiscal year 2005, ESD paid over \$1.6 million to employees for hours not worked because of this incentive pay program. The Task System provided on average 2.75 hours per day incentive to solid waste employees. **Exhibit 4** displays the amount of overtime based on a statistical sample of 60 Solid Waste Employees from the four Service Centers for the period between October 2004 and March 2005.

**Exhibit 4 - Overtime Calculation  
 For the period of October 2004 through March 2005**

Service Centers	Actual Hours Paid <sup>(1)</sup>	Average Hours Worked <sup>(2)</sup>	Estimated Overtime	Percentage Overtime
Northwest	10	6.87	3.13	<b>27.5%</b>
Northeast	10	7.40	2.60	
South-Central	10	7.19	2.81	
Southeast	10	7.53	2.47	
<b>Average</b>	<b>10</b>	<b>7.25</b>	<b>2.75</b>	

Source:

(1) City's ERM/SAP System

(2) Averaged is based on actual time cards

Note: Time card information from the 1<sup>st</sup> week of each pay period was only used in the calculation.

There are 311 Solid Waste Collection Workers paid between \$9.13 and \$14.09 per hour. Based on an estimated overtime of 2.75 hours per day and an hourly rate of \$9.13, Solid Waste Collection Workers were paid approximately \$1.6 million of overtime through the Task System in fiscal year 2005.

**Consistent overtime budget shortages**

ESD Management has consistently expended more than budgeted overtime in fiscal years 2001 through 2005. A significant portion of the overtime cost can be associated with the Task System. During fiscal year 2005, approximately \$732,000 of \$1.3 million or 56 percent of the overtime costs were paid to Solid Waste Collection Workers. The Task System allows overtime pay to Solid Waste Collection Workers for performing other duties after completion of their daily route.

Overtime payments were made to Solid Waste Collection Workers for the following reasons:

- Covering other routes when assigned employees did not report to work
- Performing other assigned duties (e.g. Solid Waste Collection Workers working in recycling or brush)
- Attending safety and commercial driver licensing training
- Performing administrative duties
- Working on city holidays

In fiscal year 2005, actual overtime exceeded budget by 55%. **Exhibit 5** highlights the department's overtime budget shortfalls for the past five fiscal years.

**Exhibit 5 - Budget to actual comparison of ESD overtime expenditures  
Fiscal Years 2001 to 2005**

<b>Fiscal Year</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percentage Difference</b>
2001	\$1,153,061	\$1,549,098	\$(396,037)	34
2002	1,153,061	1,188,491	(35,430)	3
2003	867,970	1,210,668	(342,698)	39
2004	854,970	1,459,940	(604,970)	71
2005	854,970	1,328,408	(473,438)	55

Source: FAMIS Report 69 (Expenditures by Section – Operating and Project Funds) and ERM/SAP

### **Risk**

The Environmental Services Fund precarious financial situation could make the use of the Task System unaffordable; thus, requiring general fund money to supplement any shortages in the enterprise fund.

### **Recommendations**

Overall, there is a need to reduce the cost of ESD's solid waste operation and enhance its ability to operate within its allocated budget. The following recommendations are designed to help identify and control cost:

- Perform a rate study to determine the critical financial and management issues facing the department
- Perform a cost-benefit analysis of the Task System to determine if this is an effective way to improve efficiency of collection crews without compromising safety or customer service
- Eliminate the practice of paying employees for time not worked and provide other types of incentive pay based on performance, safety and/or customer satisfaction
- Do away with the practice of paying employees for overtime work performed during an employees normal 40 hour work week

ESD Management also needs to monitor overtime expenditures and discuss the reasons underlying the spending. They should produce a quarterly budget-to-actual report that shows overtime expenditures separately by Service Center. Service Centers should explain and be held accountable for unsupported overtime expenditures.

#### 4. City's administrative directive requirements are not being followed

##### Observations

##### **Employees are paid higher classification pay past the 30 day limit**

Based on test of compliance with Administrative Directive 4.28, Higher Classification Pay (HCP), the thirty (30) day requirement of the HCP administrative directive are not being followed. The HCP administrative directives states that an employee in a non-exempt status can receive higher classification pay for a period not to exceed thirty (30) days. HCP is compensation above the current, base rate paid to an employee required to perform the duties assigned to a temporary vacant position in a job class higher than the employee's.

During fiscal year 2005, 45 out of 81 or 55% of employees received higher classification pay for more than 30 days. **Exhibit 7** shows the number of employees receiving higher classification pay and the number of days they received this pay for fiscal year 2005.

**Exhibit 7 - Higher Classification Pay (HCP) – Aging Report  
As of February 2006**

Days	Number of Employees	Percent of Employees	Total Days Receiving HCP	Total Hours	Total Cost
0-30	36	44.4	368	3,684	\$ 4,194
31-60	13	16.1	547	5,466	5,784
61-90	11	13.6	809	9,055	9,742
91-120	7	8.6	763	6,667	7,019
121-365	14	17.3	2,331	23,306	23,379
<b>Totals</b>	<b>81</b>	<b>100.0</b>	<b>4,818</b>	<b>48,178</b>	<b>\$ 50,118</b>

Source: SAP Wage Reporter Table

##### **Employees are not consistently punching their time cards**

Based on test of compliance with Administrative Directive 4.75, Time Clock, employees are consistently not punching their time card and Service Center Supervisors are not always manually writing and initialing the timecards. In addition, there was no evidence that employee were being disciplined for failure to punch in/out. It is difficult to determine if an employee worked a certain number of hours including overtime hours if they do not clock in/out and the timecard are not signed by a supervisor.

##### **Risk**

Non-compliance with administrative directives may indicate a lack of monitoring and could lead to an increase in operational cost.

##### **Recommendation**

ESD Management should comply with City Administrative Directives unless they receive prior written approval from the City Manager. Any Administrative Directive that ESD Management considers out-dated or does not support the Department operational goals should be addressed with the City Executive team.

## **5. Timekeeping processes need streamlining**

### **Condition**

Having multiple methods of keeping track of time creates the opportunities for error and significant administrative work. The audit team found inconsistencies between the time on the timecards and the time and attendance worksheets.

### **Risk**

Duplicate methods for tracking time increases administrative cost and reduces the amount of time spent on operational type work.

### **Recommendations**

ESD Management, in its efforts to develop more efficient timekeeping processes, should explore opportunities for reducing the number of processes related to keeping track of time and exceptions. For example, ESD Management should research the use of an automated time keeping system to enter detailed time and attendance data for its employees. Currently, Information Technology Services Department is researching and developing a Request for Proposal (RFP) related to electronic timekeeping for Convention Facilities and Public Works.

An automated time keeping system such as KRONOS which is "SAP Certified" would reduce the need for manual timecards and the time Solid Waste Collection Route Supervisors spend on administrative task. This would allow the SAP system to capture actual time worked which could be used to evaluate employee's performance and how effective the routes are being developed.

ESD Management should attempt to incorporate ERM/SAP in its timekeeping process and eliminate any processes outside of SAP.

**Attachment A – Risk Management Capability Matrix**

In performing this audit, the process risk management capabilities were considered for purposes of determining ESDs key risks to the City. Below is the process audit matrix which is organized by the five recognized capability maturity/development stages. Most entities achieve at least the managed stage while fewer achieve the optimized stage for mature processes.

**Process Capabilities**

<b>Stage</b>	<b>Procedures</b>	<b>Controls and Process Improvements</b>	<b>Metrics</b>
Ad Hoc	No formal <i>procedures</i> exist.	<i>Controls</i> are either non-existent, or are primarily reactionary after a “surprise” within the company.	There are no <i>metrics</i> or monitoring of performance.
Repeatable	<b>Some standard <i>procedures</i> exist.</b>	<b>Detective <i>controls</i> are relied upon throughout the company.</b>	<b>Few performance <i>metrics</i> exist, thus there is infrequent monitoring of performance.</b>
Defined	<i>Procedures</i> are well documented, but are not regularly updated to reflect changing business needs.	Both preventive and detective <i>controls</i> are employed throughout the company.	Some <i>metrics</i> are used, but monitoring of performance is primarily manual.
Managed	<i>Procedures</i> and <i>controls</i> are well documented and kept current.	Best practices and benchmarking are used to <i>improve</i> process in certain areas of the company.	Many <i>metrics</i> are used, with a blend of automated and manual monitoring of performance.
Optimized	<i>Processes</i> and <i>controls</i> are continuously reviewed and <i>improved</i> .	Extensive use of best practices and benchmarking throughout the company helps to continuously <i>improve</i> processes.	Comprehensive, defined performance <i>metrics</i> exist, with extensive automated monitoring of performance employed.

\*Metrics provide a means for measuring how well a control or process is performing.

\*Source: 2004 Auditor’s Risk Management Guide, CCH Incorporated, 2004. Paul J. Sobel, CPA, CIA



# CITY OF SAN ANTONIO

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June 23, 2006

City Auditor  
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Environmental Services Department – Solid Waste Division – Timekeeping Processes

City Management and Environmental Services Department (ESD) have reviewed the audit report for the ESD Solid Waste Division – Timekeeping Processes and herein is a Corrective Action Plan for the recommendations. Having an objective review of this operation unit has resulted in better information for Management to develop operating strategies for the future that will improve service delivery to citizens (effectiveness) and operational efficiencies.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
<b>Detail Report</b>					
1	<b>Resources dedicated to the safety program are insufficient</b>				
	ESD Management should strengthen its safety program by reallocating staff and financial resources	7	Accept	Daniel V. Cárdenas, Director	August 1, 2007
	<p><b>Action plan:</b>  <b>Concur</b>  ESD agrees that additional staff and resources are needed for its safety program. ESD will evaluate vacant positions in FY 2007 for potential "in-lieu" opportunities in order to reallocate resources to the safety program. Additional staff will allow for the refinement and the expansion of the existing program.</p> <p>Additionally, ESD believes the best method for reducing the number of accidents and the related cost is by implementing the automated garbage collection program. By switching to automated garbage collection, the number of garbage collection personnel exposed to hazards is reduced from a three person crew to a one person crew. The automated driver never has to touch the garbage thus eliminating cuts, bruises, punctures, chemical burns and sprains associated with gathering and lifting a variety of garbage containers.</p> <p>ESD currently is implementing the first and second phase of the automated garbage collection program and will have 30 routes converted in FY 2007. ESD and OMB are currently developing an accelerated conversion schedule for the automated garbage collection program to be reviewed by the COSA Management Team and City Manager during the FY 2007 budget process.</p>				

2	<b>Management and internal controls need strengthening</b>				
	• Develop and/or update formal written procedures for timekeeping processes	8	Accept	Margaret Ramirez, Adm. Services Mgr.	Oct. 1, 2007 (coord. w/Time Stabl. Project)
	• Segregate the timekeeping functions so that someone independent reviews and approves time entry data	8	Accept	Margaret Ramirez, Adm. Services Mgr.	Oct. 1, 2007 (coord. w/Time Stabl. Project)
	• Ensure that supervisory review and approval of overtime is performed	8	Accept	Rose Ryan, SW Mgr & David Newman, EM Mgr	July 1, 2006
	• Review timekeeping access and ensure only appropriate personnel are assigned this role	8	Accept	Margaret Ramirez, Adm. Services Mgr.	July 1, 2006
<b>Action plan:</b> <b>Concur</b> ESD agrees controls need to be strengthened. ESD will be working with the team for the Time Stabilization Project (see #5 below). Within ESD, each Division Manager will work with supervisory staff to ensure that overtime is properly approved and recorded. Additionally, ESD will review timekeeping access and will ensure that only authorized personnel have access to this function.					

3	<b>Task System Impact Issues</b>				
	• Perform a rate study to determine the critical financial and management issues	10	Accept	Daniel V. Cárdenas, Director	FY 2007
	• Perform a cost-benefit analysis of the Task System	10	Accept	Daniel V. Cárdenas, Director	FY 2007
	• Re-evaluate the practice of paying employees for overtime if an employee has not worked over 40 actual hours.	10	Accept	Daniel V. Cárdenas, Director	FY 2007
	• Re-evaluate the practice of paying employees for time not worked and provide other types of incentive pay	10	Accept	Daniel V. Cárdenas, Director	FY 2007
<b>Action plan:</b> <b>Partially Concur</b> At the direction of the City Manager, ESD is developing an alternative to the Task System to be evaluated for implementation within FY 2007. At this time it is not prudent to evaluate the Task System, as it may no longer remain in practice. The alternative system will address the impact issues outlined in the audit.					

4	<b>City's administrative directive requirements are not being followed</b>				
	• Comply with City Ordinance procedures for higher classification pay	11	Accept	Margaret Ramirez, Adm. Services Mgr.	Oct. 1, 2006
	• Comply with City Ordinance procedures for punching in/out of work and approving time cards	11	Accept	Rose Ryan, SW Mgr & David Newman, EM Mgr	Aug. 1, 2006
<b>Action plan:</b> <b>Concur</b> ESD will coordinate with the Human Resource Department to utilize assignment pay instead of high class pay. Additionally, the ESD Division Managers will meet with supervisory personnel to provide training and clarification of policies and procedures to ensure ESD employees are complying with the appropriate procedures for punching in/out of work and approving time cards.					

5 Timekeeping processes need streamlining					
• Eliminate or reduce any duplicate timekeeping process	12	Accept	Margaret Ramirez, Adm. Services Mgr.	FY 2007	
• Evaluate the possibility of using an automated timekeeping system	12	Accept	Margaret Ramirez, Adm. Services Mgr.	FY 2007	
<p><b>Action plan:</b>  <b>Concur</b>  ESD agrees the timekeeping processes need streamlining.</p> <p>The ERM Project Leader was contacted to inquire as to the progress concerning the implementation of an automated timekeeping system. An email response was received from Lena Ellis, Assistant Finance Director on June 7, 2006 which stated the following:</p> <p>“Finance and members of ITSD SAP Support are engaged in a Time Stabilization Project. The intent of this project is to stabilize, streamline, and standardize citywide timekeeping practices consistent with SAP functionality. This includes the standardization of 1) citywide timekeeping policies and procedures (together with consistent application of same), 2) time tracking (i.e. time clocks, time sheets, other source documentation), and 3) other components for an effective and efficient time management operation (i.e. employee self-service, time self-entry, job descriptions/duties).</p> <p>As you have alluded, ITSD is heading up a RFP effort to select an automated timekeeping system (i.e. smart time clock system) for citywide use. The Time Stabilization Team is recommending that all departments use such a system or the equivalent for proper interface to SAP (i.e. “SAP certified”).</p> <p>Additionally, the SAP Health Check report recommends a reassessment of all SAP processes. As a result, the Time Stabilization Team is currently reassessing and documenting the SAP time management process. Thereafter, citywide departments will be required to comply with a Payroll Administrative Directive and associated operating procedures. The aforementioned reassessment and documentation effort is tentatively scheduled to be complete by the end of June 2006, while the overall Time Stabilization Project is tentatively scheduled for substantial completion by the end of the 2006 calendar year (depending upon available/dedicated resources).”</p> <p>Current constraints, time entry and cut-off date requirements of the SAP Payroll module requires the use of a duplicate timekeeping process in order to enter time into the system prior to submission of completed time cards. ESD will continue to reconcile time card entries and the manual time and attendance sheets that are maintained to facilitate SAP time entry. ESD will differ to the enterprise wide effort to address time keeping processes and an automated timekeeping system. This will ensure that ESD will be in compliance with any new COSA directives. ESD has requested that the Department be included in all future discussions concerning this project.</p>					

We appreciate the City Auditor's comments on the ESD Solid Waste Divisions' Timekeeping processes. We are committed to address the recommendations in the audit report and the plan of actions presented.

Sincerely,

  
Frances A. Gonzalez  
Assistant City Manager

  
Daniel V. Cárdenas  
Director