



CITY OF SAN ANTONIO

P. O. BOX 839966
SAN ANTONIO TEXAS 78283-3966

January 12, 2010

Julián Castro
Mayor

Mary Alice P. Cisneros
Councilwoman, District 1

Ivy R. Taylor
Councilwoman, District 2

Jennifer V. Ramos
Councilwoman, District 3

Philip A. Cortez
Councilman, District 4

David Medina, Jr.
Councilman, District 5

Ray Lopez
Councilman, District 6

Justin Rodriguez
Councilman, District 7

W. Reed Williams
Councilman, District 8

Elisa Chan
Councilwoman, District 9

John G. Clamp
Councilman, District 10

Mayor and Council Members:

SUBJECT: Solid Waste Management Department Follow-up Audit Report

We are pleased to send you the audit report of the Solid Waste Management Department Timekeeping Processes follow-up audit. This audit began in May 2009 and concluded with an exit meeting with department management in December 2009. Management's verbatim response is included in Appendix C of the report. The Solid Waste Management Department should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Park E. Pearson, CPA
City Auditor
City of San Antonio

Distribution:

Sheryl L. Sculley, City Manager
Peter Zaroni, Interim Assistant City Manager
David McCary, Director, Solid Waste Management Department
Michael D. Bernard, City Attorney
Leticia Vacek, City Clerk
Robbie Greenblum, Chief of Staff, Office of the Mayor
Jaime Castillo, Communications Director, Office of the Mayor
Frances Gonzalez, Assistant to the Mayor, Office of the Mayor
Catherine Hernandez, Interim Executive Assistant to the City Manager
Stanley Blend, Audit Committee Member
Manuel Long, Audit Committee Member

CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Follow-up Audit of Solid Waste Management Department

Timekeeping Processes

Project No. AU09-014F2

January 12, 2010

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the safety and timekeeping related recommendations made in the Solid Waste Management Department (SWMD) Timekeeping Processes Audit report dated September 7, 2006. The objective of this follow-up audit follows:

Has SWMD management sufficiently implemented actions to address critical recommendations?

We determined that SWMD management and staff have sufficiently implemented or are working towards implementing all of the applicable safety and timekeeping related recommendations made in the report mentioned above. The audit team identified and reviewed 11 critical recommendations with the following results noted in **Table 1** below (see **Appendix B** on page 7 for a more detailed summary):

Table 1: Recommendation Status Summary

Recommendation Status	Number of Recommendations
Implemented	5
In Process	4
Not Implemented	0
No Longer Applicable	2
Total Recommendations Reviewed	11

SWMD expanded its safety program by adding additional staff, including safety as a component of incentive pay, and reducing accident related costs from approximately \$1.97 million in FY 2007 to \$1.12 million in FY 2008. Additionally, SWMD is automating route collections. This effort should further reduce incidents such as back injuries and ankle sprains that employees working on manual collection routes commonly experience.

SWMD also improved internal controls by implementing formal written procedures for timekeeping processes and ensuring that it appropriately assigns IT system roles. SWMD developed a process for reviewing and approving time entry data and overtime, including a post payroll reconciliation of time cards. However, supervisors were not consistently recording their approvals of time records and verifiers were not adequately documenting the post payroll audits.

SWMD eliminated the Task System as an incentive program for employees assigned to automated collection routes. The new incentive program provides opportunity for additional pay based on performance, safety and other measures. Currently, SWMD has automated approximately 82% of the garbage and recycling routes. SWMD implemented a new incentive program to accommodate the revised collection process. However, there is a need to develop an adequate cost-benefit analysis to justify the decision to implement the alternative system.

Finally, SWMD is working with the Finance Department to implement an integrated timekeeping system. However, SWMD is still utilizing duplicate timekeeping processes.

Management of the *Solid Waste Management Department* agrees with the audit report. Its verbatim response will be included in **Appendix C** on page 8.

Table of Contents

Executive Summary	i
Background.....	1
Audit Scope and Methodology	1
Prior Recommendations and Audit Results	2
A - Safety Program Enhancements.....	2
B - Internal Controls	2
C - Task System Impact.....	4
D - Timekeeping Processes	5
Appendix A – Staff Acknowledgement	6
Appendix B – Recommendation Status Summary	7
Appendix C – Management Response	8

Background

In September 2006, the Office of the City Auditor completed an audit of the Environmental Services Department's (ESD) Solid Waste Division, which is now part of the Solid Waste Management Department (SWMD). The objectives of that audit were to review the adequacy of the internal control environment, assess compliance with applicable City of San Antonio and departmental policies, and to review the impact and cost of the incentive pay program, known as the Task System. Under this System, the City paid employees for four ten-hour workdays. However, management had the authority to release employees in less than ten hours if work assignments were completed. The Task System allowed overtime pay to SWMD Collection Workers for performing other duties after completion of their daily route.

The Office of the City Auditor issued a report that recommended improvement of internal controls over timekeeping and expansion of the Safety Program.¹ Additionally, the audit identified opportunities to improve accountability, reduce costs, and modernize processes related to timekeeping.

Audit Scope and Methodology

The audit methodology consisted of reviewing SWMD departmental organizational charts, as well as policies and procedures related to timekeeping and incentive pay. Additionally, the audit team conducted interviews with appropriate management and employees regarding the timekeeping function. The team also reviewed safety/accident data, timekeeping records, and other pertinent information.

We performed the follow-up audit in accordance with guidance from the Institute of Internal Auditors' (IIA) Professional Practices Framework (Practice Advisory 2500.A1-1) and included such tests of the payroll records, information technology (IT) user roles, and other procedures that we considered necessary. Our testing covered the period from September 2007 to May 2009. IIA standards require that we establish a follow-up process to monitor and ensure that management has effectively implemented actions or that senior management has accepted the risk of not taking actions.

¹ Office of the City Auditor Audit Report AU06-002, *Audit of Environmental Services Department – Solid Waste Division – Timekeeping Processes*, September 2006

Prior Recommendations and Audit Results

A.1 Safety Program Enhancements

ESD Management should strengthen its safety program by reallocating staff and financial resources.

Status: Implemented

The Solid Waste Management Department (SWMD) implemented the recommendation to expand the safety program through a number of efforts. SWMD added three employees whose job duties relate directly to the Safety Program. These include a Risk Analyst and Senior Management Analyst, and an Administrative Associate. SWMD also developed a new incentive program called Performance Incentive Pay (PIP), which allows workers to earn additional pay for meeting safety and other criteria. Finally, SWMD has converted approximately 82% of its routes to an automated collection system. This reduces the need for workers to perform high-risk tasks, such as heavy lifting and climbing up and down from the trucks.

SWMD has effectively implemented its action plan to address this recommendation. Based on data obtained from the City's Risk Management Department, the total number of annual accidents decreased from 406 in FY 2007 to 395 in FY 2008 (Note: SWMD management's agreed-upon implementation date was August 1, 2007). There has also been a reduction in accident related costs from \$1.97 million in FY 2007 to \$1.12 million in FY 2008. We reviewed the number of accidents and related costs reported for the first eight months of FY 2009. According to this data, there were 216 accidents and \$554,161 in related costs. If the number of accidents and related costs were to occur at this rate for the remainder of the year, there should be a significant reduction in FY 2009.

B.1 Internal Controls: Policies and Procedures

Develop and/or update formal written procedures for timekeeping processes.

Status: In process

SWMD developed formal written policies and procedures for timekeeping processes. These cover payroll, time entry, overtime, leave administration, and incentive pay guidelines. However, the overtime approval process has not been formalized. See Section B.3 – Internal controls: Supervisory Review of Overtime.

B.2 Internal Controls: Segregation of Timekeeping Functions

Segregate the timekeeping functions (in SAP, the City's accounting and payroll system) so that someone independent reviews and approves time entry data.

Status: No longer applicable

The recommendation to separate timekeeping review and approval duties in SAP is no longer applicable. According to City's Time Administrator (TA) Training Manual, TAs have the ability to both enter and approve employees' time. Based on discussions with Finance, this appears to be a limitation of SAP. However, SWMD relies on offline approvals and post payroll reconciliation of time cards as mitigating controls for timekeeping processes.

B.3 Internal Controls: Supervisory Review of Overtime

Ensure that supervisory review and approval of overtime is performed.

Status: In Process

SWMD implemented policies to ensure supervisors review and approve hours worked by employees, including overtime. However, these policies do not require approvals to be documented. According to management, supervisors should sign their names or initials on the employee time cards before TAs enter time in SAP. After time entry, supervisors should sign a printed SAP Time Report to verify that the TAs entered employees' time correctly. However, SWMD's written payroll policies do not include this requirement. As a result, only 46% of 261 time cards tested contained a supervisor's signature and none of the six time reports reviewed had all appropriate supervisory signatures.

According to SWMD, all time cards should be reconciled with SAP after the City issues payroll checks, to ensure that hours paid are equivalent to hours worked. However, we were unable to verify this process, because SWMD did not require reviewers to document their reconciliations. According to SWMD management, it is working towards formalizing these processes.

B.4 Internal Controls: Timekeeping Access Roles

Review timekeeping access (in SAP) and ensure only appropriate personnel are assigned this role.

Status: Implemented

SWMD assigned SAP timekeeping access appropriately. SWMD limited TA roles assignments to those employees tasked with timekeeping responsibilities.

C.1 Task System Impact: Rate Study

Perform a rate study to determine critical financial and management issues.

Status: No longer applicable

The recommendation to perform a rate study on the impact of the Task System is no longer applicable. SWMD chose to discontinue use of the Task System as an incentive program for employees. Although this process is still ongoing, SWMD expects to have fully eliminated the use of the Task System by early FY 2010 (also see ***C.4 “Task System Impact: Payment for Hours Not Worked”*** on page 5).

C.2 Task System Impact: Cost-Benefit Analysis

Perform cost-benefit analysis of the Task System.

Status: In process

According to Management, SWMD began performing a cost-benefit analysis of the alternative to the Task System in FY 2007. SWMD stated that it first identified a snapshot of costs associated with the Task System to establish a baseline. However, the evidence provided to the audit team only showed the initial stages of an analysis conducted on the PIP, which is the new incentive program. SWMD did not provide evidence that demonstrated a complete cost-benefit analysis showing the net difference between benefits and costs of implementing the PIP (i.e., the total benefits minus the total costs). SWMD management stated this analysis will be conducted once the conversion of the automated waste collection program is complete in March 2010. This effort is essential to justify the decision to implement the PIP.

C.3 Task System Impact: Overtime Paid for Less than 40 Hours Worked

Re-evaluate the practice of paying employees overtime for less than 40 hrs worked.

Status: Implemented

SWMD reconsidered the practice of paying overtime for less than 40 hours worked. As a result, SWMD implemented a policy that redefines overtime as payment only for hours worked in excess of 40 hours.

C.4 Task System Impact: Payment for Hours Not Worked

Re-evaluate the practice of paying employees for time not worked.

Status: Implemented

SWMD also re-evaluated paying employees for time not worked. As a result, SWMD decided to phase out the Task System as it converts to automated route collections. Currently, the Task System applies only to workers on manual routes. As SWMD converts routes from manual to automated, the number of employees paid under the Task System will continue to decrease.

D.1 Timekeeping Processes: Duplicate Processes

Eliminate duplicate timekeeping processes.

Status: In Process

SWMD still uses duplicate timekeeping processes. SWMD manually records employees' time on time cards. TAs then enter this information into SAP. However, SWMD is currently providing input to the Time Stabilization Project (TSP) Team, which is a joint effort by Finance and the Information Technology Services Department to standardize and streamline timekeeping processes Citywide. The TSP team expects to implement automated SWMD timekeeping processes by mid-November 2009.

D.2 Timekeeping Processes: Automated Timekeeping

Evaluate the possibility of using an automated timekeeping system.

Status: Implemented

Although SWMD evaluated various automated timekeeping systems, it has chosen to participate in the Citywide TSP effort. As part of this effort, the City has contracted with Kaba Benzing, Inc. to develop a time clock that will interface directly with SAP and eliminate the need for data entry by the TAs. The planned implementation date for this new timekeeping system is November 2009.

Appendix A – Staff Acknowledgement

Barry Lipton, CPA, DABFA, Deputy City Auditor
Brian K. Williams, MBA, CIA, CFE, Audit Manager
Cynthia Brown, MBA, CIA, CFE, Auditor in Charge

Appendix B – Recommendation Status Summary

No.	<i>AU06-002 Recommendation</i>	<i>Status</i>
A.1	ESD Management should strengthen its safety program by reallocating staff and financial resources	Implemented
B.1	Develop and/or update formal written procedures for timekeeping processes	In Process
B.2	Segregate the timekeeping functions so that someone independent reviews and approves time entry data	No Longer Applicable
B.3	Ensure that supervisory review and approval of overtime is performed	In Process
B.4	Review timekeeping access and ensure only appropriate personnel are assigned this role	Implemented
C.1	Perform rate study to determine critical financial and management issues	No Longer Applicable
C.2	Perform cost-benefit analysis of the Task System	In process
C.3	Re-evaluate the practice of paying employees overtime for less than 40 hrs worked	Implemented
C.4	Re-evaluate the practice of paying employees for time not worked	Implemented
D.1	Eliminate duplicate timekeeping processes	In Process
D.2	Evaluate the possibility of using an automated timekeeping system	Implemented

Appendix C – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3928

Barry Lipton, CPA, DABFA
Deputy City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of the Solid Waste Management Department's Timekeeping Processes Follow-Up Audit

Here are our comments to the subject report.

Fully Agree (provide detailed comments)

Since the conclusion of the audit, the Department has completed the following activities for three recommendations listed as "In Process":

B.1 – Develop and/or update formal written procedures for timekeeping processes.

- The overtime approval process has now been formalized. Policies and procedures are now in place outlining who can approve overtime and how it will be recorded.

B.3 – Ensure that supervisory review and approval of overtime is performed.

- All overtime approvals are now documented and Supervisors are approving the time on the appropriate SAP report (CATS_DA) instead of the actual time card. With the implementation of the new KABA Timekeeping system, time cards will no longer be used and the CATS_DA report will be the approving document of record.

D.1 – Eliminate duplicate timekeeping processes.

- With the implementation of the new KABA Timekeeping system, time cards will no longer be used. This eliminates the need for the Time Administrator to manually enter employee's time, thereby, eliminating the potential for incorrect entries.

Agree Except For (provide detailed comments)

Do Not Agree (provide detailed comments)

Sincerely,

Peter Zanoni
Interim Assistant City Manager
City Manager's Office

David W. McCary
Director
Solid Waste Management Department