



# CITY OF SAN ANTONIO

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

June 14, 2013

**Julián Castro**  
Mayor

**Diego M. Bernal**  
Councilman, District 1

**Ivy R. Taylor**  
Councilwoman, District 2

**Rebecca J. Viagran**  
Councilwoman, District 3

**Rey Saldaña**  
Councilman, District 4

**David Medina, Jr.**  
Councilman, District 5

**Ray Lopez**  
Councilman, District 6

**Cris Medina**  
Councilman, District 7

**W. Reed Williams**  
Councilman, District 8

**Elisa Chan**  
Councilwoman, District 9

**Carlton Soules**  
Councilman, District 10

SUBJECT: Audit Report of SWMD Household Hazardous Waste Contract

Mayor and Council Members:

We are pleased to send you the final report of the Audit of SWMD Household Hazardous Waste Contract. This audit began in 11/9/2012 and concluded with an exit meeting with department management in 4/15/2013. Management's verbatim response is included in Appendix B of the report. The Solid Waste Management Department's management and staff should be commended for their 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,

A handwritten signature in black ink, appearing to read 'Kevin W. Barthold'.

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
City of San Antonio

Distribution:

Sheryl L. Sculley, City Manager

Peter Zaroni, Deputy City Manager

David McCary, Director, Solid Waste Management

Michael D. Bernard, City Attorney

Leticia M. Vacek, City Clerk

Robbie Greenblum, Chief of Staff, Office of the Mayor

Jaime Castillo, Communications Director, Office of the Mayor

Frances A. Gonzalez, Assistant to the Mayor, Office of the Mayor

Edward Benavides, Chief of Staff, Office of the City Manager

Donald Crews, Audit Committee Member

Stephen S. Penley, Audit Committee Member

---

**CITY OF SAN ANTONIO**  
**OFFICE OF THE CITY AUDITOR**



Audit of Solid Waste Management Department  
Household Hazardous Waste Contract

Project No. AU13-021

June 14, 2013

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor

---

## Executive Summary

---

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Solid Waste Management Department (SWMD). The audit objective, conclusions, and recommendations follow:

### **Are SWMD and Clean Harbors Environmental Services, Inc. (the contractor) in compliance with the contractual terms for disposal of household hazardous waste?**

No, the SWMD and the contractor are not in compliance with the contract. We noted several issues with SWMD contract administration including:

- Lack of invoice detail review prior to payment approval
- Failure to maintain control of the Culebra site
- Insufficient training and/or credentials of staff
- Non-existence of a Contract Administration Plan (CAP)

We also noted that the contractor was altering support documentation provided with invoices, and they were charging for items not approved by the contract.

We recommend the SWMD Director:

- Develop processes requiring a thorough review of invoices and supporting detail that will detect alterations to support documentation.
- Change the locks at the Culebra site to restrict after-hours access.
- Develop a training plan for staff and review credentials of contractor staff.
- Recover overcharged amounts for unqualified staff billed at the chemist rate.
- Develop a Contract Administration Plan to ensure monitoring and review tasks are performed and documented.

SWMD Management's verbatim response is in **Appendix B** on page 8.

## Table of Contents

---

Executive Summary .....	i
Background.....	1
Audit Results and Recommendations .....	3
A. Lack of Invoice Detail Review Prior to Payment Approval .....	3
B. Failure to Maintain Control at the Culebra Site .....	4
C. Insufficient Training and Credentials of Staff .....	5
D. Non-existence of a Contract Administration Plan (CAP).....	6
Appendix A – Staff Acknowledgement .....	7
Appendix B – Management Response.....	8

## Background

---

The Solid Waste Management Department (SWMD) oversees the City's effort to collect and dispose of household hazardous waste. By definition, household hazardous waste is any residential solid waste that is toxic, corrosive, flammable, or explosive. The most common types of household hazardous wastes are paint, used motor oil, and pesticides. Other items include batteries, bleach and solvents.

SWMD has one permanent collection site on Culebra Road which is open to the public two days per week. Additionally, SWMD holds quarterly mobile collection events at locations around the city and a seasonal collection event once per month at the Bitters Brush location.

SWMD outsources the collection, packaging, storage and transport of household hazardous waste to Clean Harbors Environmental Services, Inc. (the contractor). The prior contract term was for one year (FY 2010) with the option for two renewal periods (FY 2011 and FY 2012). A competitive bid process was completed in the summer of 2012 resulting in a new contract beginning in FY 2013 awarded to the same contractor. An annual spending cap of \$1,125,000 was established in both contracts. In FY 2012, spending totaled \$1,046,354.

## Audit Scope and Methodology

The scope of this audit was October 2011 to October 2012 and the objective was to determine contract compliance on the part of SWMD and the contractor.

We interviewed the staff and management of SWMD and the contractor. We reviewed federal and state requirements cited in the contract and relied on City ordinances, administrative directives, and departmental operating procedures specifically related to household hazardous waste and generally related to contract administration. We visited both a mobile collection event and the permanent collection site and observed processes related to the collection, packaging, and storage of household hazardous waste. We inspected both sites for safety equipment and personal protective gear as well as adherence to safety rules established by the contract and by the department's Operational Plan. We reviewed the reports submitted to the Texas Commission on Environmental Quality (TCEQ). Additionally, we performed direct tests of contractor invoicing. Finally, we reviewed the training of both SWMD and contractor staffs and reviewed the credentials of contractor chemists.

We relied on the City's SAP system for invoicing and payment history of the contractor. We also relied on billing detail reports provided by the contractor's system. Our reliance was based on performing direct tests on the data rather

than evaluating the general and application controls of the systems. We do not believe that the absence of testing of general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.

## Audit Results and Recommendations

---

### A. Lack of Invoice Detail Review Prior to Payment Approval

SWMD staff does not review invoice detail prior to authorizing the invoice for payment. We found issues with 24 of the 25 invoices in our test sample. The most significant issue is that the invoices do not agree with the original support documentation. For several of the invoices reviewed, the contractor had modified support documentation after it had been approved by SWMD staff in the field. We saw instances where additional staff and supplies had been added to the contractor timesheet detail report and where quantities had been altered. Manifests which detail the type and quantity of waste being transported and disposed had been altered as well.

Per the City's Procurement Policy and Procedures Manual, Section 7.5 Financial Workflow Process, the contracting officer should thoroughly review the invoice and supporting documentation.

While invoices are being "approved" for payment by SWMD staff, they are not reviewing the invoice detail prior to approval. SWMD could not provide evidence of management review or monitoring of the invoice approval process. Also, the original approved contractor timesheets are not consistently maintained. The task of verifying that charges on the invoice match the original support documentation is not performed.

Altering support documentation creates the appearance of fraudulent activity; however, there is the likelihood that some of the revisions were necessary. Revisions should have been presented to SWMD staff for review and approval. Evidence of review of the invoices would have ensured that the revisions were valid and that they were approved.

Additionally, SWMD approved payment for approximately \$18,000 in overtime charges and \$15,000 in "Modified Level D" gloves in FY 2012. The contract does not include either of these items. Other errors were noted which included: pricing not in accordance with the contract pricing schedule; errors in classification; and errors in quantity charged.

Finally, SWMD did not obtain quotes for invoiced items not included on the contract pricing schedule. Occasionally, hazardous items are collected that are not listed on the pricing schedule, or different types of supplies are needed. Per the contract, SWMD must obtain and approve quotes from the contractor for these items. The quote then forms a modification to the contract which is to be maintained in the contract file. The quotes provided to auditors did not show evidence of approval and were not maintained in the contract file.

Inefficiencies have been created as a result of not maintaining authorized quotes as contract amendments. Reviewing an invoice is less efficient when staff must search the pricing schedule and numerous quotes provided over the years to verify pricing. Additionally, the quotes previously provided to SWMD were not included in the newly awarded FY 2013 contract terms or pricing schedule.

### **Recommendation**

The SWMD Director should develop and implement the following control processes:

- Require staff to review, approve, and maintain each contractor timesheet and manifest.
- Vouch each item on the invoice to the original timesheet or manifest detail and compare the invoice pricing to the contract pricing schedule prior to approving the invoice for payment.
- Perform periodic reviews to ensure procedures are implemented and are working as intended.
- Obtain quotes for items not included in the contract and formally approve and maintain the quotes as contract amendments in the contract file.
- Revise pricing schedule to include approved quotes. Consider adding the approved items to the contract renewal and to future contract proposals.

### **B. Failure to Maintain Control at the Culebra Site**

The permanent collection site was found to be clean and well organized; however, it is not adequately controlled by SWMD in that they provided keys to the contractor for after-hours access to the site.

The contract states that the City will control access and use of the premises and all City property and the City shall be responsible for opening the site.

Per the contractor, they need to drop off the hazardous waste from mobile collection events at the permanent site; however, SWMD staff leaves before the collection and storage efforts are completed.

When SWMD staff is not on site, City assets are left unprotected. Theft of materials, supplies, or other assets could occur. Should a spill happen after hours, there would not be SWMD supervision on hand to initiate the needed emergency action.

## **Recommendation**

The SWMD Director should change the locks to the gate and the office building to restrict access to authorized personnel and SWMD should not grant access to contractors unless staff is on site.

### **C. Insufficient Training and Credentials of Staff**

SWMD and contractor staffs are unloading and collecting household hazardous waste at the collection site prior to receiving training required by the TCEQ<sup>1</sup>. Also, the contractor could not provide credentials for 13 of 16 employees working in the role of chemist.

Per the contract, the contractor annually provides the 40-hour OSHA Hazardous Waste Operations and Emergency Response (HAZWOPER) training event for new SWMD staff. However, staff hired after the event would not be trained until the next year's event. The contract also requires the contractor to provide evidence of staff qualifications. Failure to do so implies unqualified staff in the chemist role.

Without proper training, both staffs and the public at the collection sites are placed at a higher risk of exposure to hazardous waste. Further, if the contractor employees were not qualified as chemists, then the City was overcharged the difference between the hourly rate for chemists (\$40 per hour) and the rate for field technicians (\$32 per hour).

## **Recommendation**

The SWMD Director should develop and implement the following control processes:

- Provide training to all employees prior to working with household hazardous waste.
- Develop an instructional agenda for new employees consisting of its Operational Plan, site rules, and safety issues to supplement the annual training course.
- Maintain documentation of in-house training.
- Verify and retain the credentials of each contractor staff billed at the chemist rate.

---

<sup>1</sup> Administrative Code, Title 30, Part 1, Chapter 335, Subchapter N, Rule 335.407

Also, the SWMD Director should attempt to recover the overcharged amount for all unqualified staff billed at the chemist rate.

#### **D. Non-existence of a Contract Administration Plan (CAP)**

SWMD has divided the duties of the contract administrator among several individuals. None had developed a Contract Administration Plan (CAP Plan) or other type of tracking system as required by the Procurement Policy and Procedure.

Per the COSA Procurement Policy and Procedures Manual, Section 7.3, the department should develop and maintain a Contract Administration Plan which highlights the monitoring tasks to perform. The manual also provides a Bond Checklist and an Insurance Checklist to be used by the reviewer.

The bond and insurance documents for FY 2012 and FY 2013 met the contract requirements; however, SWMD staff could not provide proof that the FY 2012 performance bond and insurance documents had been reviewed. Further, the review of the FY 2013 bond and insurance documentation was not initiated until after the audit began. Finally, one of the contractor permits showed an expiration date of 9/19/12 and no action had been taken by SWMD to ensure that it had been renewed.

The performance bond, the insurance, and the permits are controls required by the contract to reduce the potential financial and operational liability to the City of San Antonio. Without these controls, the City faces additional exposure to risk. Administratively, expiration dates are missed and critical documentation is not being maintained.

#### **Recommendation**

The SWMD Director should develop a CAP Plan for all contracts to ensure that essential tasks are performed, periodic reviews and monitoring are completed, and essential support documentation is maintained. In the future SWMD should use the Bond and Insurance Checklists provided in the Procurement Policy and Procedures manual.

## **Appendix A – Staff Acknowledgement**

---

Sandra Paiz, CFE, Audit Manager  
Arlena Sones, CPA, CIA, CGAP, Auditor in Charge  
Christina Liguori, Auditor

## Appendix B – Management Response



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

May 07, 2013

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
San Antonio, Texas

RE: Management's Corrective Action Plan for AU13-021 Audit of SWMD Household Hazardous Waste Contracts

Solid Waste Management Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p><b>Lack of Invoice Detail Review Prior to Payment Approval</b></p> <p>The SWMD Director should develop and implement the following control processes:</p> <ul style="list-style-type: none"> <li>Require staff to review, approve, and maintain each contractor timesheet and manifest.</li> <li>Vouch each item on the invoice to the original timesheet or manifest detail and compare the invoice pricing to the contract pricing schedule prior to approving the invoice for payment.</li> <li>Perform periodic reviews to ensure procedures are implemented and are working as intended.</li> <li>Obtain quotes for items not included in the contract and formally approve and maintain the quotes as contract amendments in the contract file.</li> </ul>	3	Accept	Joseph Krupa, Solid Waste Manger	4/10/13

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<ul style="list-style-type: none"> <li>Revise pricing schedule to include approved quotes. Consider adding the approved items to the contract renewal and to future contract proposals.</li> </ul>				
	<p><b>Action plan:</b> The Department's Solid Waste Manger has developed new policies and procedures for the Household Hazardous Waste contract to adequately and accurately verify invoices prior to authorization for payment. The process now includes cross referencing the invoices and back-up documentation against the original timesheets and manifest, placing tic marks to vouch for each item invoiced, and comparing the billed amounts to the contract pricing schedule. Any discrepancies captured in the verification process will not be approved, but will be investigated and corrected prior to payment.</p> <p>Furthermore, new line items not covered under the contract will required a quote to be generated by the contractor. If acceptable, the new quote shall be approved by the Solid Waste Manager or designee. Once a quote is executed, the quote along with a revised pricing schedule will be added to the contract. The revised pricing schedule will contain a section at the bottom identifying all new items and will be used for future contract proposals.</p>				
2	<p><b>Failure to Maintain Control at the Culebra Site</b></p> <p>The SWMD Director should change the locks to the gate and the office building to restrict access to authorized personnel and SWMD should not grant access to contractors unless staff is on site.</p>	4	Accept	Joseph Krupa, Solid Waste Manger	4/10/13
	<p><b>Action plan:</b> The Department has changed all locks at each facility to ensure access is restricted to only SWMD personnel. The Solid Waste Manager developed has new policies and procedures for the Household Hazardous Waste contract, which describes the requirement of an adequately controlled site.</p>				
3	<p><b>Insufficient Training and Credentials of Staff</b></p> <p>The SWMD Director should develop and implement the following control processes:</p> <ul style="list-style-type: none"> <li>Provide training to all employees prior to working with household hazardous waste.</li> <li>Develop an instructional agenda</li> </ul>	5	Accept	Joseph Krupa, Solid Waste Manager	4/10/13

Audit of Solid Waste Management Department  
Household Hazardous Waste Contract

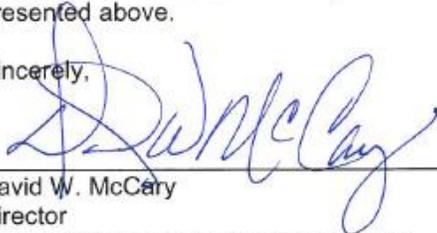
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>for new employees consisting of its Operational Plan, site rules, and safety issues to supplement the annual training course.</p> <ul style="list-style-type: none"> <li>• Maintain documentation of in-house training.</li> <li>• Verify and retain the credentials of each contractor staff billed at the chemist rate.</li> </ul> <p>Also, the SWMD Director should attempt to recover the overcharged amount for all unqualified staff billed at the chemist rate.</p>				
	<p><b>Action plan:</b> The Department's Solid Waste Manager has developed new policies and procedures for the Household Hazardous Waste contract to insure individuals working at a household hazardous waste event or conducting activities at the facility have training in a manner that is appropriate to their duties. Contracted staff designated as "Leads/Field Chemist" shall receive a minimum of a 40-hour federal Occupational Safety and Health Administration (OSHA) training and shall be pre-approved by the Solid Waste Manager as the lead/chemist for that event. All other staff including City and contractor will be required to receive at minimum general site awareness training. The awareness training will cover the operations plan to include site rules, safety, and assisting with collection. All training credentials will be documented and maintained.</p> <p>Solid Waste Manager and the Fiscal section shall review all invoices within the audit period and will attempt to recover the overcharged amount. The contractor has been notified of this pending action.</p>				
4	<p><b>Non-existence of a Contract Administration Plan (CAP)</b></p> <p>The SWMD Director should develop a CAP Plan for all contracts to ensure that essential tasks are performed, periodic reviews and monitoring are completed, and essential support documentation is maintained. In the future SWMD should use the Bond and Insurance Checklists provided in the Procurement Policy and Procedures manual.</p>	6	Accept	David McDaniel, Solid Waste District Manager	

Audit of Solid Waste Management Department  
Household Hazardous Waste Contract

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><b>Action plan:</b> The SWMD has developed a CAP plan for this contract to ensure essential tasks are performed, periodic reviews and monitoring are completed, and documentation is maintained. This CAP plan also outlines responsible SWMD staff to administer the CAP plan.</p>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



David W. McCary  
Director  
Solid Waste Management Department

5/7/2013  
Date



Peter Zanon  
Deputy City Manager  
City Manager's Office

5-29-13  
Date