FOLLOW-UP AUDIT REPORT

OF

SOLID WASTE MANAGEMENT DEPARTMENT REFUSE INCENTIVE PAY PROGRAM

REPORT NO. 06-01-119F





City of Albuquerque

Office of Internal Audit and Investigations P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

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Accountability in Government Oversight Committee City of Albuquerque Albuquerque, New Mexico

Follow-Up: REFUSE INCENTIVE PAY PROGRAM

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FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) performed a Follow-up Review of Audit No. 01-119, Refuse Incentive Pay Program (Program) dated January 15, 2004. The purpose of our follow-up was to review the status of the audit recommendations that have been implemented by the Solid Waste Management Department (SWMD).

Background Information

The Program, under the Union Contract in effect at the time of the audit, allowed blue-collar workers to receive pay for a full shift of work whenever their supervisor certified that his/her route had been completed. The plan allowed a worker who completed his/her route in less time than their shift to receive regular pay for the hours spent on the route and incentive pay for the remainder of the shift. As of December 2003, SWMD had 180 drivers who were eligible for incentive pay. For fiscal years 1998 through 2003, SWMD paid almost \$4 million in refuse incentive pay. In December 2005, the Driver Incentive Program was discontinued.

We determined the following:

RECOMMENDATION NO. 1:

The audit determined that SWMD's incentive pay program may have been a contributing factor in the following situations.

Preventable Accidents:

• For calendar years 2001 and 2002, SWMD refuse vehicle drivers had 52 vehicle accidents that were ruled preventable by the SWMD Loss Review Committee. In 19 out of the 52 vehicle accidents, the driver received incentive pay on the day of the accident.

Missed Refuse Pick-ups:

- SWMD reported 11,400 commercial collection customers and 140,000 residential collection customers in calendar year 2002. SWMD tracks the complaints it receives from customers about missed refuse pick-ups.
- There were 355 occasions in calendar year 2002, in which SWMD received three or more complaints on the same day, claiming a commercial collections driver missed refuse pick-ups. The number of complaints in a single day, was as many as 15, for a single driver.
- During this same period, there were 40 occasions in which SWMD received five or more complaints in the same day, claiming a commercial collections driver missed refuse pick-ups, and the commercial collections driver receiving refuse incentive pay on the same day.
- During calendar year 2002, SWMD logged 11,250 residential service recovery calls. Since these calls are not categorized by type, SWMD does not know how many of these calls are for missed pick ups of refuse.

Vehicle Repair and Maintenance Costs:

• Vehicles assigned to drivers who routinely received large amounts in incentive pay had higher repair costs than the vehicles of other drivers who did not receive large amounts of incentive pay. For those drivers with high incentive pay, the vehicle repair costs ranged from a low of \$16,643 to a high of \$41,433. The range for vehicle repair costs for the other drivers ranged from \$13,200 to \$36,700.

Uncorrected Safety-Related Problems:

• During the audit, work orders from September 2002 through July 2003 were reviewed. Sixtyone of the orders were for safety-related repairs (such as tires, lights, back-up horn, brakes) for
which it was noted on the work order that the drivers took the vehicles on their route before
the repairs were done. Out of a sample of 20 work orders reviewed, 6 drivers out of 11
received incentive pay for the day the vehicle was taken before the repairs were completed.

Overloaded Refuse Vehicles:

• Since refuse vehicles use the interstate highway system to get to the City's landfill, they are subject to federal laws which govern the maximum gross weight allowed on the interstate highways. Out of the 24 drivers identified as receiving the highest amount of incentive pay during 2002, 15 drove trucks into the landfill that consistently weighed over the legal weight limit. Also, SWMD records indicated that many SWMD refuse vehicles consistently exceed the maximum gross legal weights allowed by law when going to the landfill.

The audit recommended that SWMD examine the relationship of the Refuse Incentive Pay Program to preventable accidents, damage to private property, missed refuse pick-ups, overloaded trucks, vehicle repair costs and driving vehicles needing safety-related repairs. SWMD should determine if the Refuse Incentive Program results were in conflict with SWMD program strategy to collect commercial and residential refuse in an efficient and safe manner.

SWMD stated in the response to the finding that "SWMD agrees that, in certain instances, there could be a dichotomy between the Refuse Incentive Program and the program strategy 'to safely and efficiently collect commercial and residential solid waste.' However, at this time, there does not appear to be a clear and consistent correlation between the Refuse Incentive Pay Program and Preventable accidents, damage to private property, missed refuse pick-ups, vehicle repair costs or the operation of vehicles needing safety-related repairs. As the Department becomes more proficient in establishing performance measures, and tracking operating results related to those measures additional analysis should indicate where changes may be needed in the Refuse Incentive Pay Program to help the department meet its program strategy."

The following solutions were proposed by SWMD in their responses to the audit findings.

- In order to reduce accidents, SWMD is proposing to reinstate the eight-hour "refresher" class for all drivers where incidents have been found to preventable. Also, SWMD hopes with the implementation of route audits by foremen and the Route Smart software programs that the number of preventable accidents will decrease.
- In order to improve customer service, SWMD, in January 2003, redefined the Communication Call Center and assigned cell phones to all customer representatives, field supervisors, and assistant superintendents.

- SWMD agrees that maintenance costs could be a result of the driver's incentive program. SWMD believes further research is necessary to determine what part route structures and the type of waste each truck picks up contribute to increased maintenance costs.
- SWMD did not believe that any drivers had driven vehicles which had been red tagged by the mechanics. However to ensure that no vehicles were taken before repairs were made, SWMD planed on extending this program to all vehicles which they receive for repairs.
- To resolve the issue of trucks being over loaded, SWMD looked into a new weight scale system recently developed. SWMD planned to purchase the system when it became available to the public.

ACTION TAKEN

The audit recommendations have been implemented. SWMD's management informed us that as of December, 2005, the Solid Waste Management Department discontinued the Driver Incentive Program.

RECOMMENDATION NO. 2:

Since SWMD operates commercial vehicles, U.S. Department of Transportation (DOT) regulations are applicable. According to DOT 383.110, "All drivers of commercial vehicles shall have knowledge and skills necessary to operate a commercial motor vehicle safely..."

In July 2000, SWMD implemented a departmental refuse vehicle driver training policy designed to ensure compliance with DOT's regulation. Certified trainers would administer the program and report on the progress of trainees. Trainees would receive two weeks of classroom study and receive field training based on the type of refuse vehicle the trainee would operate. All of this training would be received before the trainee was assigned to work.

The audit disclosed several weaknesses in the training SWMD new hires receive. Some new hires were not trained on the type of vehicle they would be assigned to in the field. Some drivers did not receive training before they were assigned a route. Some new hires only received the classroom portion of the training. During 2001 and 2002, SWMD drivers had 52 accidents that were ruled preventable by the SWMD Loss Review Committee. Some drivers had multiple preventable accidents during this period.

We recommended that SWMD develop a process to train drivers before placing them in production and determine if there was a correlation between the amount of training a driver receives and the occurrence of preventable accidents. We also recommended that SWMD determine if drivers who have multiple preventable accidents need supplemental training.

SWMD management concurred with the finding. Among actions proposed by SWMD to correct the deficiencies noted in the finding include formation of a committee to review and make recommendations regarding the current practices followed for driver training and the process followed to review accidents.

ACTION TAKEN

The audit recommendations have been partially implemented. SWMD stated that by following the newly adopted Administrative Instruction, No. 4-11, *City Operator's Permit Policy*, revisions to the City Operator's Permit Policy dated March 28, 2005 and by working in conjunction with Risk Management that the increased accountability will improve driver behavior. SWMD has the driving records of all new hires checked by Risk Management. Also, Risk Management checks driving records of City employees weekly and reports to the affected department any offenses noted for employees in that department. In 2003, according to SWMD, the eight hour refresher course was reinstated and plans are to enhance the course by incorporating professional truck driving defensive driving through the National Safety Council. This enhancement will specifically address drivers who operate vehicles that have a gross vehicle weight of 26,000. No enhancements are proposed which would benefit all drivers regardless of the vehicle's weight they are operating.

SWMD did not provide information to show what action has been taken to address if a correlation between the amount of training a driver receives and the occurrence of preventable accidents is present. Also, current practices do not provide supplemental training for drivers who have had multiple preventable accidents. The committee to review and make recommendations regarding current practices followed for driver training and the process followed to review accidents that SWMD proposed in its response has not been formed.

RECOMMENDATION

SWMD should provide enhanced training to all drivers and supplemental training for those drivers with multiple accidents. SWMD should address the plan to form a committee to oversee the training process and accident reporting process and make recommendations as they deem necessary.

RESPONSE FROM SWMD

"Solid Waste Management Department agrees with the recommendation. In 2005, the Department had a driver refresher training program for those drivers involved in multiple preventable accidents. The Department determined that the type of training conducted did not have an impact on the prevention of accidents. The Department is exploring other training curriculum which will focus on those drivers with multiple preventable accidents and a separate training curriculum to enhance training for all drivers. Implementation is projected for the second quarter FY07.

"The Director has implemented a committee to oversee the safety, health and training of all employees which will make recommendations for training, accident reporting and other processes necessary."

RECOMMENDATION NO. 3:

The Department of Finance and Administrative Services (DFAS), Loss Prevention Section (Loss Prevention) has responsibility for issuance and maintenance of City Operator's Permit (Permit). In order to drive City vehicles or operate any vehicle on City business, a Permit is required. This is obtained by taking the drivers training presented by Loss Prevention. Permits are issued for six years at which time the employee retrains and renews their Permit.

The audit determined that several individuals should not have been operating City refuse vehicles because they either did not have Permits or their Permits had expired. For those individuals who never obtained Permits, any violations on their driving records would not be detected or reported by Loss Prevention. One individual, who had two preventable accidents during the fifteen month period he was a SWMD driver, did not have a permit. Also, his driving record indicated his driver's license had been suspended two times after his hire date and five times before his hire date.

We recommended that SWMD assign responsibility in the department to ensure that drivers obtain Permits when hired and that Permits remain current. We recommended that SWMD update their requirements for hiring by requiring that refuse vehicle drivers' records are free from suspensions or other serious violations.

SWMD planned to implement procedures which ensured that all drivers had current City Operators Permits. Also, monthly and before new hires are offered a position with SWMD, their records would be checked with the New Mexico Motor Vehicle Division (MVD) records.

<u>ACTION TAKEN</u>

The audit recommendations have been fully implemented. According to SWMD the Department City Operating Permit (COP) Coordinator performs a COP check utilizing the City's in-house system at least once a week to determine it the following COP criteria has been met by each employee. The criteria include obtaining a Defensive Driving certification when an employee completes the City's Defensive Driving course, a New Mexico Driver's License or a Commercial Driver's License Medical card if applicable. SWMD believes that it is more effective to inform the superintendent of each division every 30 days instead of every calendar year of those employees who are subject to expiration on any of the above COP requirements. Once they are notified, each employee is responsible for providing the proper documentation to indicate that their certification has been renewed or is current.

Also, SWMD requires an MVD background check on all new hires for driver positions. Loss Prevention reviews driving records daily. Loss Prevention also provides a monthly report to the department. Serious violations discovered by Loss Prevention are reported immediately.

RECOMMENDATION NO. 4:

The Department of Transportation (DOT) has regulations that tires on commercial vehicles meet certain standards. Vendors were unable to supply the number of tires required by SWMD; therefore, numerous refuse trucks were operated with tires which did not meet the requirements as defined by DOT.

We recommended that SWMD contract with several recap tire vendors to ensure that a sufficient inventory of tires was available and that trucks were not operated with tires which did not meet the DOT standards.

SWMD agreed with the audit finding and was in the process of re-bidding the contract with multiple vendor awards.

ACTION TAKEN

The audit recommendations have been fully implemented. SWMD has contracts with two reliable vendors that supply tire caps. As of January 17, 2006, SWMD requires that all vehicles over 26,000 GVW be inspected before, during and after each shift. Additionally, a Department of Transportation Inspector began tire inspections on all large vehicles in January 2006 and will also conduct unannounced vehicle inspections.

RECOMMENDATION NO. 5:

SWMD records indicated there were numerous accidents which were either not being reported or the driver's identity was unknown. From 1996 through 2002, SWMD safety records indicate that there were 134 claims or damage to private property in which the drivers' identities were not known. From April 2003 through July 2003, there were three accidents which were not reported.

OIAI recommended that SWMD use route assignments to identify the driver involved in accidents. We also recommended that SWMD maintenance verify with SWMD safety section that an accident had been reported whenever damage was noted on a vehicle. SWMD should take disciplinary action whenever drivers fail to report an accident.

SWMD concurred with the audit finding. SWMD stated they would begin utilizing a newly installed GPS process to track and identify drivers who might be involved in accidents. Also, the SWMD Director issued a verbal warning that ". . . all incidents will be reported, and discipline given when the policy is not followed."

ACTION TAKEN

The audit recommendations have been partially implemented. In February 2006, SWMD adopted a new protocol for reporting accidents. Whenever a driver is involved in an accident, the dispatcher is notified immediately and logs the incident and follows progress on the accident to ensure that the appropriate authorities, safety personnel and supervisors are notified.

SWMD has implemented the practice of inspecting large vehicle equipment before and after shifts. This should result in damages from accidents being reported with the driver on duty when the accident occurred.

SWMD has installed a GPS system in all of the recycling and roll-off fleets. This system will track collection vehicles. It will also be used to document any incident that may have gone unreported or incorrectly identified as a City of Albuquerque collection vehicle. SWMD is in the process of installing GPS on all Commercial front loader vehicles.

The procedures and policies implemented by SWMD currently only apply to large vehicle equipment, the recycling and roll-off fleets.

RECOMMENDATION

SWMD should extend the pre and post shift inspections to all vehicles used for refuse collection.

SWMD should complete the process of installing GPS on all refuse collection vehicles.

RESPONSE FROM SWMD

"Solid Waste Management Department agrees with the recommendation. Solid Waste has extended the pre- and post-shift inspections to all CDL class vehicles used for refuse collection. Solid Waste Management Department has installed GPS on its commercial and recycling fleet. For FY/07, funding has been appropriated for half of the remaining fleet, and FY/08 will be budgeted to complete the remainder of fleet vehicles."

RECOMMENDATION NO. 6:

SWMD has a Loss Review Committee (Committee) which reviews and classifies accidents. An internal evaluation of the Committee by SWMD's Safety, Security and Training Section revealed that an increasing number of accidents are being classified by the Committee as "record purposes only" (RPO). An internal evaluation by SWMD determined that there was a 50% increase in accidents classified as RPOs from 1997 to 2000. Additionally, the internal SWMD evaluation noted that the committee was not investigating a number of these cases, although evidence had already been established which indicated that the driver was at fault. The Safety, Security and Training Section personnel informed us that some drivers were receiving safety awards despite having accidents because the accidents or damage to private property had been classified as RPO. RPOs do not affect an employee's record as an accident classified preventable by the Committee. Information regarding

accidents classified as preventable are added to an employee's record and could impact their career adversely.

We recommended that SWMD ensure that procedures are used to evaluate the risk of preventable accidents. We also recommended that SWMD limit the usage of RPO classification for accidents and damage to private property.

SWMD concurred with the finding. SWMD stated in their response "The Department has taken action against drivers with several preventable incidents, which have resulted in discipline up to, and including, termination."

ACTION TAKEN

The audit recommendations have not been implemented. SWMD in their response to our request for specific action taken since the prior audit stated that "The department is actively working with the Risk Management Department to track all accidents and incidents. This will ensure consistency across the city in categorizing incidents in a more uniform manner." SWMD did not provide us with any information which documents criteria and procedures to be used by the committee for RPOs.

RECOMMENDATION

SWMD should development criteria and procedures which can be used by the Committee to determine if an accident qualifies as a RPO.

SWMD should document policies regarding action to be taken against drivers with several preventable accidents.

RESPONSE FROM SWMD

"Solid Waste Management Department agrees with the recommendation. The Department classifies all accidents as either preventable or non-preventable. An accident is never classified as an "RPO." A claim and damage is the only incident that can be classified as an "RPO."

"The Department uses the union contract, the City of Albuquerque's Personnel Rules and Regulations and work history, which includes preventable accidents, in determining the progressive disciplinary action taken against employees."

RECOMMENDATION NO. 7:

The City utilizes performance based budgeting where inputs such as appropriations require certain outputs. The purpose of performance based budgeting is to have the budget tie to the performance plan, which is approved annually in conjunction with the City of Albuquerque operating budget. The audit identified errors in the numbers and results of operations reported in SWMD's performance plan.

We recommended that SWMD refine the measurement process to determine the causes of the differences between the performance goals and actual performance and develop solutions to bring performance into line with the goal or adjust the goal to make it more realistic.

SWMD concurred with the audit finding and plans to implement a review process which will result in a truer reflection of the department's mission results of operation in SWMD's performance plan.

ACTIONS TAKEN

The audit recommendations have been fully implemented. In their responses, SWMD stated that responsibility for the performance plan has been assigned to a department representative designated by the Director. Also, SWMD stated that Superintendents of each division had recently reviewed the performance measures and revised them as necessary. This was done in cooperation with the Office of Management and Budget. And SWMD stated that updates and the performance plan are being maintained by the superintendent of Administrative Services in coordination with SWMD operations, disposal, vehicle maintenance and fiscal managers.

CONCLUSION

With discontinuance of the Drivers Incentive Program in December 2005, SWMD has made progress in addressing the findings from the audit. Although SWMD has taken measures to address problems in training of personnel and reporting of accidents, further action is needed to fully address problems in these areas.

We appreciate the assistance and cooperation of Solid Waste Management Department personnel during the follow-up.

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