



City of Albuquerque

Office of Internal Audit
P.O. BOX 1293, ALBUQUERQUE, NM 87103

Interoffice Memorandum

October 3, 2012

Ref. No. 12-07-111F

To: Robert J. Perry, Chief Administrative Officer

From:  Carmen L. Kavelman, Director, Office of Internal Audit

SUBJECT: FINAL FOLLOW-UP STATUS REPORT ON MANAGEMENT AUDIT NO. 07-111, COMMERCIAL COLLECTIONS DIVISION, SOLID WASTE MANAGEMENT DEPARTMENT

We are pleased to attach our Final Follow-Up Status Report on Management Audit No. 07-111, Commercial Collections Division, Solid Waste Management Department.

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Attachment

xc: Accountability in Government Oversight Committee Members
Richard J. Berry, Mayor
John Soladay, Chief Operations Officer
City Councilors
Laura Mason, Director, Council Services Department
Lou Hoffman, Director, Department of Finance & Administrative Services
Jill Holbert, Acting Director, Solid Waste Management Department
File



City of Albuquerque

Office of Internal Audit

FOLLOW-UP OF COMMERCIAL COLLECTIONS AUDIT

SOLID WASTE MANAGEMENT

DEPARTMENT

AUDIT #07-111

SEPTEMBER 26, 2012

INTRODUCTION

The Office of Internal Audit (OIA) performed a follow-up of Audit No. 07-111, Commercial Collections – Solid Waste Management Department (SWMD). This follow-up is to report on the progress made by SWMD in addressing our findings and recommendations. Our follow-up procedures rely on the department providing the status of the audit recommendations.

OIA's follow-up is substantially less in scope than an audit. The objective is to report on the status of corrective action in regards to our findings and recommendations. OIA limited the scope of the follow-up to actions taken by SWMD to address the audit recommendations. This report includes events from date of the final report, July 30, 2008 through March 31, 2012.

BACKGROUND INFORMATION

Commercial Collections is a division of SWMD that provides comprehensive trash collection services to commercial businesses

in the Albuquerque metropolitan area. The goal of Commercial Collections is to use effective and efficient collection methods that result in the greatest possible satisfaction for customers.

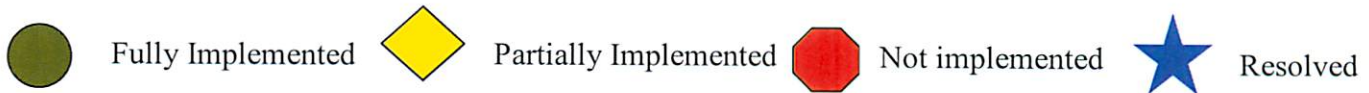
SWMD issues permits to private haulers for the transport of certain types of refuse, including construction and demolition materials, plant materials (including trees) and materials being transported for recycling. Commercial haulers with valid permits may dispose of trash at the Cerro Colorado landfill.

As of July 2, 2012, Commercial Collections had approximately 11,960 service points. The FY12 revenue for Commercial Collections is projected to be over \$30 million for an estimated 236,000 tons of commercial waste collected.

SUMMARY


All five of the recommendations in the audit have been fully implemented.

The status of the recommendations is identified by the symbols in the following legend:



Recommendation #1: SWMD should develop a policy to ensure Commercial Collection Division's service agreements are reviewed for accuracy.

Response: SWMD agreed with the finding and recommendation. The findings from the sample indicated that the paperwork was either not signed or had technical errors on the service contracts; however, 21 out of the 22 accounts were billed correctly. Effective with the completion of the audit, a new standard operating procedure (SOP) for Commercial Service Contracts was established for Commercial Solid Waste services. This SOP required that all service contracts be signed by the property owner and/or manager. Exceptions would be the following: any change in level of service due to ordinance enforcement which results in a refusal to sign by the customer, and decreases in the level of service. In addition, it required that the SWMD Code Enforcer review all service contracts for completeness and accuracy. Costs must correspond with the appropriate service and each service type must indicate whether it includes caster fees, gates/locks fees and/or a hazardous route fee. The Code Enforcers' supervisor must review and initial all service contracts before the service contracts are submitted to the accounting assistants for system input. The accounting assistants would input the information into the City's Billing System, the Customer Information System (CIS). If any errors or omissions were detected, the accounting assistant would return the service contract to the Code Enforcer for corrections. This required review by the Code Enforcers' supervisor before being returned to the accounting assistant. Once an accurate service contract was entered into the billing system, the Billing Supervisor would compare the hard copy of the service contract to the service agreement in the billing system and initial as verified.

 Fully Implemented

Status Reported by SWMD: The Administrative Services Division streamlined its functions in 2010 to increase efficiency and to improve customer service. As part of this effort, the customer account and billing services functions were assigned to the Solid Waste Account Representatives. This includes contract preparation and execution. The Residential and Commercial code enforcement functions are solely the responsibility of the Solid Waste Code Inspectors. In addition, a new Quality Assurance Management position was created to assist with the ongoing review of accounts.

OIA Note: SWMD provided the current Standard Operating Procedure and workflow process for service contract entry and verification. The verification process includes three different reviews to ensure the accuracy of service agreements.

Recommendation #2: SWMD should agree the information in the billing system to the number and type of bin at each commercial business location. SWMD should either begin billing the customer for the use of the bin or remove the bin.

Response: SWMD agreed with the finding and recommendation. The Code Enforcement function was moved to the Administrative Services Division from the Operations Division during the first quarter of FY08. The purpose of the reorganization was to better align the accounting functions associated with code enforcement to ensure proper billing, improved customer service, accountability and auditing controls.

The audit noted that the FY08 Performance Evaluation Guide (PEG) required a review and evaluation of all service agreements within the code enforcers' service area. These goals were set forth at the time of the reorganization recognizing the need for improved verification and efficiency. In January 2008, a preliminary evaluation of each code enforcement district indicated that there was a discrepancy in the percentage distribution of commercial accounts among the code enforcers. In order to assist the Code Enforcers in achieving their PEG goals, the Department began redistricting the code enforcement service areas in July of FY09, which would equal out the distribution of accounts. The new code enforcement districts would be established and implemented by September of FY09. In September FY09, each code enforcer would begin visiting each business within their new district, verify the current level of service and update the service contracts as necessary. There were approximately 14,219 commercial service agreements distributed among seven code enforcers. The verification process was projected to be completed by the end of FY09. The Operations Review Section (ORS) would conduct a sample audit similar to the procedures performed by Internal Audit prior to the end of FY09.

The City bin issue noted in the second recommendation was investigated and resolved. No revenue was lost due to this error. To prevent this from reoccurring, the code enforcer who initiates any special temporary service must ensure the name of the requestor and the service address are correct. This is now being accomplished by requiring all special temporary service requests to be initiated via a field activity in the billing system (CIS).

To help protect against unauthorized bins (bins placed in service without a service agreement), the Department routinely used an investigation firm and ORS to monitor the movement of bins. When the code enforcement service area redistricting was completed, ORS would continue to partner with the code enforcers to find or detect unauthorized bins.



Fully Implemented

Status Reported by SWMD: The Code Enforcers began the audit/verification project as planned. Each Code Enforcer received a daily route of 10-20 Commercial accounts along with the existing service contracts. Their task consisted of conducting site visits, assessing the

account and updating service contracts. The project was slow due to retirements and unfilled code enforcement positions. Due to this fact, the department recognized that the staffing level was not adequate to complete the audit/verification with the targeted time frame. In addition, the Department was working on a rate adjustment to be proposed in January 2010 for the FY11 budget. Upon approval of the rate adjustment, the Department established a "Call Center" of 10 temporary employees in June 2010. The Call Center employees contacted current customers, reevaluated service levels, quoted the new rate and revised and/or updated all service contracts. This project satisfied a complete audit of all accounts. The ongoing audit/verification process is managed by Quality Assurance.

Recommendation #3: SWMD should correct and maintain the GPS system to ensure accurate and timely information is obtainable. SWMD should ensure that the current process for warming up trucks is enforced.

Response: SWMD agreed with the finding and recommendation. Although the Department already had controls in place for monitoring the activities of the trucks, SWMD chose to add GPS monitoring to augment and enhance existing controls. The first passive units were purchased in 2005, and the last passive units were purchased in March 2007. The passive units, because of their age, had exceeded their life expectancy and were no longer under warranty or available for purchase. Approximately two years ago, the Department made the decision to migrate towards "active" GPS tracking systems. The active systems give the Department real-time active tracking and reporting capability to manage the operational fleets throughout the workday. This allowed the Department to be more proactive in managing potential risks. The Department was allowing the passive GPS units to expire as SWMD replaced them with the new active GPS systems. Due to budget constraints in the last few fiscal years, the Department was unable to replace the passive units as quickly as planned. SWMD contacted the GPS vendor on July 9, 2008 to work with the organization in determining if those passive units in service could be maintained until replaced. The Department would analyze the feasibility and cost associated with prolonging the life of the passive systems, and would make a decision based on that assessment.

The GPS system was purchased initially to monitor speed and provide data on risk management issues. The Department, in its efforts to increase operational efficiency and reduce waste, agreed with the recommendation to use GPS tracking to monitor idling time of trucks, and was doing this as of the completion of the audit. The Operation Review Section (ORS) had been instructed to provide management a report of trucks idling beyond 15 minutes.



Fully Implemented

Status Reported by SWMD: SWMD records indicate that all passive units were replaced by active GPS tracking systems in FY10.

Active GPS units begin tracking idling time as soon as the ignition is activated. Vehicle idling time has been minimized by having 3-4 staff members reporting to work at approximately 3:30

am – 4:00 am to start up trucks on cold days, temperatures reaching 15 degrees or below. The protocol is for vehicles to be started and turned-off for short periods of time to sustain a fair amount of engine temperature which allows for reduced idle time prior to pull-out.

Recommendation #4: SWMD should perform a complete fixed asset inventory annually. SWMD should develop, document, and communicate its annual inventory procedures to staff.

Response from SWMD: SWMD agreed with the finding and recommendation. SWMD had approximately 224 30-yard open top bins. The open top bins were a “moving inventory” asset. Bins moved in and out of inventory daily, and there were some bins that were exchanged at the time they were serviced. This made it very difficult to perform a physical inventory at year-end. SWMD began discussions with a CPA firm in November 2007, to conduct an assessment of the Department’s asset (specifically industrial trash bins) productivity. The objective was to evaluate the Department’s asset utilization, movement execution & monitoring of bins, and hand offs between Divisions including invoice approval and payment. Unfortunately, the fees to conduct the study were higher than expected, and the proposal from the CPA firm came as the Department began an aggressive cost-cutting plan.

SWMD had a meeting scheduled with Central Accounting on July 17, 2008, to discuss the FY08 asset inventory. SWMD briefed the Accounting Officer regarding the open top inventory, and would meet with the officer in the July 17th meeting to discuss the Departments suggestions regarding the open top bins. The Operations Review section (ORS) of SWMD had initiated procedures and controls to monitor the movement and location of the open top bins. A by-product coming from these procedures is a “rolling” or “perpetual” inventory listing of the open top bins. The Department would discuss the listing with the Accounting Officer and ask for recommendations for counting the open top bins within acceptable governmental accounting guidelines.



Fully Implemented

Status Reported by SWMD: Regarding inventory procedures, the Department of Finance and Administrative Services (DFAS) provides training on Fixed Asset Procedures each year during June’s Financial Users Group (FUG) meeting. Inventory procedures, forms and instructions are given out at the training and these documents are also located at their SharePoint site. The SWMD Fiscal Officer follows these procedures in the performance of preparing the fixed asset inventory and communicates these procedures to other SWMD employees working with the fixed asset inventory.

SWMD follows DFAS Purchasing procedures for fixed asset additions that are added to the fixed asset inventory at the end of each fiscal year. The SWMD Fiscal Office follows the City’s Surplus and Salvage procedures, which includes City online auctions. These retirements are removed from the fixed asset inventory at the end of each fiscal year.

Regarding the open top bins, because the bins move from one site to another frequently, it is difficult to track them and know what bins exist in inventory at a specific time or date. The Operations Review Section (ORS) monitored the movement of the bins over a period of months and came up with a physical count of bins observed. All bins that were believed to be nonexistent were removed from the fixed asset inventory. SWMD met with DFAS to explain the difficulty in counting the open top bins. DFAS understood the difficulty in physically counting bins that are continuously moving from site to site and accepted the ORS bin count. Since then, the ORS open top bin count is adjusted annually for bin additions and deletions on the fixed asset inventory. The current minimum level of capitalization set by DFAS is \$5,000. The last open top bins purchased by SWMD were below the capitalization level. If the cost of open top bins stays below \$5,000 the bin inventory will at some point in the future, disappear from the fixed asset inventory.

OIA Note: SWMD provided OIA its FY11 Fixed Asset Inventory.

Recommendation #5: SWMD should retain the supporting documentation for the performance measures reported in the annual performance plan.

Response from SWMD: SWMD agreed with the finding and recommendation. The performance measure data collection and reporting responsibilities were reassigned to the Operations Review Section (ORS) of SWMD. In previous reporting cycles, ORS accepted performance data via email and phone messages. ORS is now requiring sufficient documentation from Division Managers supporting performance measure data, such as computer generated reports, pivot tables, logs, etc. ORS would retain the supporting documentation for future reference.



Fully Implemented

Status Reported by SWMD: All data turned in for the performance measures is required to have the background worksheets. Although SWMD will still accept measures by e-mail, it is requested that all worksheets be included or a hard copy is also turned in. The only supervisor that is exempt from this is the Fiscal Officer who keeps reams of data to back up his numbers and is available for viewing on request.