

Report #2018-02

INTEGRATED WASTE EMPLOYEE INCENTIVE PROGRAM AUDIT

NUMBER OF RECOMMENDATIONS



*City of Glendale
Internal Audit*

12.21.2017



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Acknowledgment

We would like to thank Public Works Integrated Waste Management personnel for the support and assistance provided to us throughout this project.

For questions regarding the contents of this report, please contact the lead auditor, Natalie Minami, Sr. Internal Auditor, or Jessie Zhang, Internal Audit Manager at ipa@glendaleca.gov

This report is also available online at <http://www.glendaleca.gov>

A. Overview

Key Outcomes

Based on our review, we noted that the Integrated Waste Management (IWM) Employee Incentive Program participation is not tracked and/or monitored to determine compliance with the program guidelines or to evaluate the program’s effectiveness of achieving its objectives and goals. The program’s effectiveness could be enhanced through the proper tracking, monitoring, and enforcing of the program guidelines and measured based upon key performance indicators.

We identified nine improvement opportunities related to risk reduction, compliance, cost saving, and efficiency. In addition, we identified an opportunity to utilize a shared electronic template to improve the efficiency and effectiveness of the employee incentive program tracking and monitoring processes. The electronic template includes the tracking of employee schedules, overweight loads, preventable accidents, program participation, and overtime.

IWM management has agreed to establish an Employee Incentive Program eligibility tracking procedure. This procedure will provide IWM with a mechanism to ensure only eligible employees are participating in the incentive program and that the necessary data is captured to measure the effectiveness of this program.

The detailed observations, recommendations, & management responses are included in a matrix beginning on page 7.

Impact Dashboard

This table summarizes the applicable value-added categories (total 21) for the nine recommendations based on their priority rankings and four innovation opportunities.

	Value Added Categories				Innovation Opportunities
	Risk Reduction	Compliance	Cost Saving	Efficiency	
Priority 2 9	5	7	1	8	4

(Definitions of Priority Rankings and Value-added impacts are located at Appendix 1)

B. Action Plan and Target Completion Dates

The action plan and target completion dates are summarized in the table below. Internal Audit will perform quarterly status follow-up to provide assurance that management is taking appropriate and timely corrective action to address audit recommendations.

Ref.	Management Action Plan	Completion Date
Priority 2		
1.	Establish an Employee Incentive Program eligibility tracking procedure and checklist. <i>Value added:</i> Risk Reduction , Compliance , Efficiency , Innovation	06/30/2018
2.	Review the equipment pre/post-inspection forms in accordance with the California Code of Regulations and IWM Safety & Procedures Manual. <i>Value added:</i> Risk Reduction , Compliance , Efficiency	03/31/2018
3.	Establish a weigh receipt review procedure. <i>Value added:</i> Compliance , Cost Saving , Efficiency , Innovation	03/31/2018
4.	Establish and implement a tonnage report desk procedure and template. <i>Value added:</i> Risk Reduction , Compliance , Efficiency , Innovation	03/31/2018
5.	Require employees working on their regular day off to document their start and finish time and recalculate the overtime hours charged. <i>Value added:</i> Risk Reduction , Compliance , Efficiency , Innovation	03/31/2018
6.	Establish and monitor Employee Incentive Program Key Performance Indicators. <i>Value added:</i> Compliance	06/30/2018
7.	Record and review key route statistics for potential route optimizations. <i>Value added:</i> Efficiency	06/30/2018
8.	Review and update the IWM Safety & Procedures Manual on an annual basis and evaluate the feasibility of re-installing GPS on the Integrated Waste Division's equipment. <i>Value added:</i> Risk Reduction , Compliance , Efficiency	06/30/2018
9.	Determine the minimum daily staffing requirement and track and evaluate the correlation between the staffing shortages related to employee injuries and/or leave time and overtime. <i>Value added:</i> Efficiency	06/30/2018

C. Background

In accordance with Internal Audit's fiscal year 2017-18 annual work plan, we performed an audit of the IWM Employee Incentive Program.

The IWM Division is one of the six divisions within the Public Works Department. The IWM Division is responsible for the collection, transportation, and disposal of solid waste materials in accordance with regulations and in a manner that protects public health. IWM is the exclusive service provider for the City's single-family residential sector for refuse, recycling and yard trimming collection. The Division also provides commercial refuse collection to businesses and multi-family dwellings in a competitive market. In addition, IWM oversees the street sweeping operation, Recycling Programs, and the Bulky and Abandoned Item Collection Program.

Staffing

The City's refuse disposal and street sweeping are under the supervision of the Assistant Director of Public Works. The Assistant Director of Public Works joined the City in April 2017. Prior to the Assistant Director of Public Works, the Integrated Waste Management Division had been without an administrator since March 2014.

There are three Integrated Waste Supervisors and approximately 70 Integrated Waste Truck Operators, Integrated Waste Workers, and Street Sweepers. Approximately 40 drivers are assigned to residential routes, while 30 drivers are assigned to multi-family/commercial routes.

IWM employees work either a 9/80 or 5/40 work schedule. The 9/80 work schedule consists of an employee working nine days in a 2-week period totaling 80 hours. The nine workdays are scheduled as eight 9-hour days and one 8-hour day. The 5/40 work schedule consists of an employee working five days in a 40-hour work week. The five workdays are scheduled as five 8-hour days. Both work schedules are exclusive of any meal periods assigned by management.

Three supervisors work a 9/80 schedule. Two supervisors start their day at 6:00 a.m. and the late-shift supervisor begins his shift at 7:30 a.m. The Integrated Waste field employees were previously staffed by primarily 9/80 employees; however, the most recently hired employees are on a 5/40 schedule. The 9/80 staff work hours are from 6:30 a.m. to 4:00 p.m., while the 5/40 staff work hours are from 6:30 a.m. to 3:00 p.m.

There are staff shortages resulting from workers' compensation injuries and vacancies. At the time of our fieldwork, the staffing level was at a deficit of 15-20 employees or approximately 20% of total staff. This includes rotating 9/80 days off, vacation, sick, and workers' compensation time.

In addition, there are seven salaried and one hourly employee within the Administrative Support Section performing recycling, regulatory compliance, customer service, billing, purchases, and payables functions. The Administrative Support Section staff's primary

Employee Incentive Program related responsibilities include, but are not limited to, entering weigh receipt information into the tonnage report, reconciling the weigh receipt information to the Los Angeles County Sanitation District invoices, tracking accidents, answering customer calls and taking service requests.

Employee Incentive Program Overview

The Director of Human Resources indicated that the Employee Incentive Program has been around since at least the 1980's. However, the earliest Employee Incentive Program documentation provided was an Interdepartmental Communication dated June 17, 2002. The current Employee Incentive Program guidelines are documented in the Safety & Procedures Manual based upon the Interdepartmental Communication dated July 26, 2010. The goals of the Employee Incentive Program are to reduce overtime, fuel, equipment maintenance costs, accidents, and improve employee morale.

The Employee Incentive Program is intended to reward employees who have satisfactorily fulfilled their daily duties, meet the program participation guidelines, and have confirmed that their Supervisor has no other duties to assign to them for the rest of the day. If these conditions are met, then employees may be released from work at 2:30 p.m. or later and be paid for their full scheduled shift.

Participation in the Employee Incentive Program requires that employees not violate any of the conditions documented within the Safety & Procedures Manual Section 31. Violations that affect employee participation in the program include, but are not limited to, 1) overloading a truck over one ton of the maximum allowable weight, 2) skipping or performing a poor pre/post trip vehicle inspection, including an incomplete/missing inspection sheet, and 3) being involved in two preventable accidents in a six-month period. Although participation guidelines exist, the Employee Incentive Program guidelines have not been enforced.

Process

IWM generates daily electronic schedules, manually updates the schedule to reflect any changes, and scans and distributes an electronic copy of the updated schedule to IWM Administrative Support Staff and Field Services Supervisors. The Customer Services Representative receives the weigh receipts and enters weigh receipt information into an electronic spreadsheet to reconcile with the County of Los Angeles Sanitation District's monthly invoice. Currently, when information such as the equipment number and/or driver is not provided, the Customer Service Representative utilizes the license plate number referenced on the weigh receipt to manually lookup the corresponding equipment number within the equipment inventory list and then utilizes this equipment number to manually review the schedule to identify the assigned driver. This process could be made more efficient through the use of an electronic template that could also be utilized to track employee compliance with the Employee Incentive Program requirements.

D. Objective, Scope and Methodology

The objective of the IWM Employee Incentive Program Audit was to determine whether adequate controls exist to ensure that the current Employee Incentive Program is operating as intended and is achieving the desired outcomes.

The scope of this audit covers the Integrated Waste Employee Incentive Program for the period of July 1, 2016 to March 15, 2017.

In order to accomplish the audit objectives, Internal Audit performed the following:

- Conducted a walk-through of the refuse collection daily process performed by the Integrated Waste Supervisors and staff.
- Interviewed Human Resources, City Attorney's Office, and Finance personnel regarding Employee Incentive Program history, potential liability, and the appropriateness of the payroll time reporting.
- Obtained and reviewed the IWM Safety & Procedures Manual.
- Performed detailed testwork on the weigh receipts, tonnage reports, over-time documentation, equipment check-out forms, and accident reports for compliance with the Employee Incentive Program participation guidelines.

As there was no readily available data to evaluate the desired outcomes or the frequency that employees benefit from this incentive, Internal Audit compiled information for five judgmentally selected days from the weigh receipts, tonnage reports, over-time documentation, equipment check-out forms, and accident reports to evaluate the two outcomes related to reducing overtime and accidents.

As a result of these audit procedures performed, nine observations were identified and are detailed in the Observations, Recommendations & Management Responses Matrix beginning on the following page.

E. Observations, Recommendations, & Management Responses Matrix

Ref	Observation	Recommendation	Management Response
1.	Employee Incentive Program Eligibility Tracking		
Priority 2	<p>Compliance with the Employee Incentive Program participation eligibility guidelines within the IWM Safety & Procedures Manual have not been tracked, monitored, or enforced. Based upon a sample review of 200 route assignments, we noted the following:</p> <ul style="list-style-type: none"> 47 (24%) route assignments with 52 Employee Incentive Program participants received 50 incentive hours. One participant had two preventable accidents within a six month period and should not have been eligible to participate. This could be a result of not having a complete accident list that would allow management to identify and disqualify employees with two preventable accidents in a six month period. 35 (18%) route assignments did not have time-stamped weigh receipts to evidence route completion times. 92 (46%) route assignments had 108 employees that worked 326 overtime hours, including 210 weekday and 116 Saturday hours. 	<p>IWM establish procedures to ensure that Employee Incentive Program participants meet the requirements. These procedures should include, but not be limited to, the following:</p> <ul style="list-style-type: none"> Supervisory review of the weigh receipts for documentation of the driver's name, route, truck number, and a time-stamp for driver compliance with the IWM Safety & Procedures Manual Section 8. Track employees involved in two or more preventable accidents within a six month period and probationary employees that are not eligible to participate in the Employee Incentive Program. Establish and maintain an Employee Incentive Program eligible employee listing, and formalize a process to notify employees who are ineligible to participate in the Employee Incentive Program. 	<p>Agree and will implement by June 30, 2018.</p> <p>IWM has reminded drivers to document their name, route, and truck number on each weigh receipt and time-stamp each receipt upon returning to the office. Additionally a procedure has been implemented to return incomplete weigh receipts to the responsible supervisor for completion.</p> <p>IWM will establish procedures and work with IPA to establish an electronic template for the following:</p> <ul style="list-style-type: none"> Maintain a complete IWM accident listing by requiring each IW Supervisor to notify the Assistant Director of Public Works, Customer Service Representative responsible for tracking accidents, and Accident Review Committee Chair of IWM related accidents for tracking and follow-up purposes. Monitor employees' eligibility by creating and updating a list of all Employee Incentive Program eligible employees.

Ref	Observation	Recommendation	Management Response
2. Equipment Pre/Post-Inspection Forms			
Priority 2	<p>For the route assignments that did not have time-stamped weigh receipts, we reviewed the corresponding daily equipment pre/post-trip inspection forms and noted the following:</p> <ul style="list-style-type: none"> IWM Field Employees do not consistently complete a daily equipment pre/post-trip inspection as required by California Code of Regulations, Title 13, Division 2, Chapter 6.5, Article 6, subsection 1234 and IWM Safety & Procedures Manual Section 8. There is no review currently performed to ensure that a form is completed for each piece of equipment. 	<p>IWM supervisors review the equipment check-in/check-out inspection forms to ensure proper completion for each piece of equipment to decrease the City's exposure to liability for employee and resident safety, non-compliance with the California Code of Regulations, non-compliance with the IWM Safety & Procedures Manual Section 8, and decrease breakdowns and maintenance costs.</p>	<p>Agree and will implement by March 31, 2018.</p> <p>IWM will establish a procedure whereby the late shift supervisor will review all of the time-stamped white copies of the equipment check-in/check-out inspection forms for completeness, counsel employees who are not in compliance, and maintain the time-stamped white copies.</p>

Ref	Observation	Recommendation	Management Response
3. Weigh Receipts			
Priority 2	<p>Based upon testwork performed on 238 landfill weigh receipts, we noted the following:</p> <ul style="list-style-type: none"> • 24 (10%) had gross weights that exceeded the Maximum Allowable Weight. • 224 (95%) had a tare (empty vehicle) weight that did not agree to the current County Truck Weights Schedule. • 41 (17%) did not evidence the driver's name, route number, and/or truck number. • 25 (11%) either had no truck number on the weigh receipt or had a truck number that did not agree to the weigh receipt. • 47 (20%) did not evidence a time-stamp. • 2 (1%) did not evidence the appropriate weigh back for 16.39 tons of green waste. As a result, the City was invoiced an additional \$20.96/ton (\$46.59/ton without weigh back - \$25.63/ton with proper weigh back) or \$344. 	<p>IWM implement a review procedure to ensure the following:</p> <ul style="list-style-type: none"> • Gross weight recorded on the weigh receipt does not exceed the Maximum Allowable Weight to reduce the risk of subjecting the City and/or driver to slower brake response times and/or overweight load fines. • Tare weights displayed for drivers agree to the County's tare weight on the weigh receipts. • All weigh receipts evidence the driver's name, truck number, route number, and time-stamp in accordance with Section 8-7b of the IWM Safety & Procedures Manual. • All green waste weigh receipts evidence the equipment weigh back to qualify the City for the reduced green waste rate. 	<p>Agree and will implement by March 31, 2018.</p> <p>IWM will perform the following:</p> <ul style="list-style-type: none"> • Work with IPA to create an electronic template to track and identify overweight loads. • Establish a procedure to review weigh receipts to ensure the completeness and accuracy of the field employee handwritten route assignment information, ensure the accuracy of the weigh receipt tare weight, and the appropriate weigh back of green waste loads.

Ref	Observation	Recommendation	Management Response
4. Tonnage Report			
Priority 2	<p>Based upon testwork performed on 127 tonnage report entries, we noted the following:</p> <ul style="list-style-type: none"> • 25 (20%) included commercial recycling or bulky item routes not currently tracked and/or did not have related weigh receipt information. • 21 (17%) did not have a related weigh receipt. • 14 (11%) had missing or incorrect route numbers. This included seven missing handwritten route numbers on the weigh receipt and seven that did not match the weigh receipt. • 55 (43%) had missing or incorrect route completion times. This included 22 without a time-stamped weigh receipt, 26 time-stamps not entered into the tonnage report, and seven that did not agree with the time-stamped weigh receipt. 	<p>IWM perform the following to improve the accuracy and completeness of the tonnage report and to monitor participation in the Employee Incentive Program:</p> <ol style="list-style-type: none"> a. Create a shared electronic template to make the daily scheduling, tonnage reporting, and the identification of an employee's non-compliance with the Employee Incentive Program participation requirements more efficient. b. Establish a procedure and template for the input of weigh receipts. The weigh receipts should be entered based upon the license plate number printed on the landfill weigh receipt and a lookup table should be used to populate the City's equipment number. c. Establish a review procedure to ensure that the information, including the employee's route completion time, bulky items and recycling, is accurately and completely captured. 	<p>Agree and will implement by March 31, 2018.</p> <p>IWM management will perform the following:</p> <ol style="list-style-type: none"> a. Redesign its tonnage report electronic template to enable the monitoring of employees' incentive program eligibility, the number of employees benefitted from the incentive program and the total incentive hours granted. b. Enter information based on the weigh receipt specified license plate number. c. Establish, document, and implement a supervisory review procedure.

Ref	Observation	Recommendation	Management Response
5.	Overtime		
Priority 2	<p>Based upon detailed testwork performed on overtime sheets for five judgmentally selected dates that included 115 entries, we noted the following:</p> <ul style="list-style-type: none"> • Eight (7%) overtime calculation errors. This included three calculation errors, four employees without a half hour lunch deduction, and one employee paid a minimum of four hours for a two hour and 25 minute Saturday compost workshop. These resulted in a total overpayment of 4.4 overtime hours. • Eight (7%) overtime entries did not have a documented start or finish time. This included seven overtime entries for employees that worked on their regular day off and were guaranteed their regular work day hours. <p>Additionally, a policy or procedure to support the practice of paying a minimum number of overtime hours to employees working on their regular day off could not be located.</p>	<p>IWM perform the following:</p> <ol style="list-style-type: none"> a. Create a template to calculate and verify overtime hours, including the deduction of a half hour lunch break for eligible employees. b. Establish and communicate a procedure that requires employees working on their regular day off (overtime) to document their start and finish time to record actual hours worked. c. Discontinue the practice of guaranteeing a minimum number of overtime hours to employees scheduled to work on their regular day off. <p style="text-align: center;">or</p> <p>Work with the Human Resources Department to determine whether or not the division has the authority to guarantee a minimum number of overtime hours to employees working on their regular day off.</p>	<p>Agree and will implement by March 31, 2018</p> <p>IWM management will perform the following:</p> <ol style="list-style-type: none"> a. Work with IPA to create an electronic template to recalculate each employee's overtime hours to verify the accuracy of the overtime entered (including the deduction of a half-hour lunch when applicable). b. Require all employees to document their start and end work time, remind field employees that they are required to take a half hour lunch when working eight or more hours. c. Inform IWM employees that on a going-forward basis, scheduled overtime will be paid based upon actual hours worked on their regular day off.

Ref	Observation	Recommendation	Management Response
6. Key Performance Indicators			
Priority 2	Employee Incentive Program Key Performance Indicators (KPIs) or benchmarks have not been established to ensure the program achieves its goals of reducing overtime, equipment hours resulting in reduced maintenance costs, and the accident liability related to the additional hours worked.	IWM establish Employee Incentive Program related KPIs/benchmarks, such as number of overtime hours worked, accidents (preventable or non-preventable), overweight loads, and periodically monitor the division's performance of meeting its objectives/goals.	Agree and will implement by June 30, 2018. IWM will internally establish, track, and monitor Employee Incentive Program related KPIs.
7. Route Optimization			
Priority 2	Periodic review of the IWM truck routes is not performed to identify potential opportunities for route optimization that may potentially reduce overtime.	IWM perform the following: <ul style="list-style-type: none"> • Identify and record key route statistics such as the number of accounts per route and the average tonnage per route. • Periodically review the route statistics to identify potential route optimization adjustments. 	Agree and will implement by June 30, 2018. IWM is in the process of obtaining route optimization software that will enable the division to track key route statistics.

Ref	Observation	Recommendation	Management Response
8.	IWM Safety & Procedures Manual		
Priority 2	<p>Based upon a review of the IWM Safety & Procedures Manual, we noted the following:</p> <ul style="list-style-type: none"> The condition that employees may only be eligible to participate in the Employee Incentive Program when the Supervisor has no other duties to assign to them for the rest of the day is not included. The policy incorrectly specifies that employees are entitled to rest periods and lunch breaks for nine or more hours worked, rather than for eight or more consecutive hours worked in accordance with the Glendale City Employees' Association Memorandum of Understanding. Lunch breaks are not scheduled in accordance with the IWM Safety & Procedures Manual Section 1-2. <p>Additionally, controls are not in place to monitor a field employee's location, identify an employee's non-compliance with rest and lunch breaks, or non-compliance with speed limits.</p>	<p>IWM perform the following:</p> <ol style="list-style-type: none"> Update the current IWM Safety & Procedures Manual to include (1) employees may only participate in the Employee Incentive Program only when the Supervisor has no other duties to assign to them for the rest of the day, (2) replace references to a nine-hour workday to a minimum eight-hour workday to comply with the Glendale City Employees' Association Memorandum of Understanding, (3) revise the language regarding management scheduling meal breaks if they are left to the driver's discretion and/or establish a regular meal time window (e.g. 11am-1pm) or implement a procedure to track and monitor driver lunch breaks. This manual should be reviewed and updated annually. Determine the feasibility of re-installing GPS on the City's IWM Division's equipment. 	<p>Agree and will implement by June 30, 2018.</p> <p>IWM will perform the following:</p> <ol style="list-style-type: none"> Review and update the IWM Safety & Procedures Manual and implement an annual review and update procedure on a going forward basis. Install route optimization/GPS equipment on the City's IWM Division's equipment.

Ref	Observation	Recommendation	Management Response
9. Overtime Trend Analysis			
Priority 2	Analysis of the minimum daily staffing requirement and the correlation of staffing shortages related to employee injuries and/or leave time and overtime is not performed.	IWM identify the minimum daily staffing requirement and track and evaluate the correlation between the staffing shortages related to employee injuries and/or leave time and overtime.	<p>Agree and will implement by June 30, 2018.</p> <p>IWM will identify the minimum daily staffing requirement and track and evaluate the correlation between the staffing shortages related to employee injuries and/or leave time and overtime.</p>

Appendix 1: Definitions of Priority Rankings and Value-Added Categories

Definitions of Priority Rankings

The priority rankings are assigned by internal auditors based on their professional judgment. They are also agreed to by management based on their evaluation of the alignment with the strategic goals, priorities and available resources. A timeline has been established based on each priority ranking:

- a. **PRIORITY 1** - Critical control weakness that exposes the City to a high degree of combined risks. Priority 1 recommendations should be implemented within **90 days** from the first day of the month following report issuance or sooner if so directed.
- b. **PRIORITY 2** - Less than critical control weakness that exposes the City to a moderate degree of combined risks. Priority 2 recommendations should be implemented within **180 days** from the first day of the month following the report issuance or sooner if so directed.
- c. **PRIORITY 3** - Opportunity for good or better practice for improved efficiency or reduce exposure to combined risks. Priority 3 recommendations should be implemented within **270 days** from the first day of the month following the report issuance or sooner if so directed.

Definitions of Value-Added Categories

The four value-added impact categories are defined based on their impact from the audit recommendations:

- a. **COMPLIANCE** - adherence to laws, regulations, policies, procedures, contracts, or other requirements.
- b. **COST SAVING** - lower the costs related to conducting City business.
- c. **EFFICIENCY** - ability to avoid wasting resources (money or time) in achieving goals.
- d. **RISK REDUCTION** - lower the risks related to strategic, financial, operations and compliance.

In addition, the **INNOVATION OPPORTUNITY** tag indicates the assistance and consulting services that may be provided by the Innovation and Performance Team.