



# **CITY OF SAN ANTONIO**

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

June 27, 2018

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Mayor

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Councilman, District 1

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Councilman, District 2

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Councilman, District 8

**John Courage**  
Councilman, District 9

**Clayton H. Perry**  
Councilman, District 10

**SUBJECT: Audit Report of the Audit of the Solid Waste Management Department Heavy Duty Equipment Service Centers**

Mayor and Council Members:

We are pleased to send you the final report of the Solid Waste Management Department Heavy Duty Equipment Service Centers. This audit began in October 2017 and concluded with an exit meeting with department management in April 2018. Management's verbatim response is included in Appendix B of the report. The Solid Waste Management Department 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 blue 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

Roderick J. Sanchez, Assistant City Manager

Ben Gorzell, Chief Financial Officer

David W. McCary, SWMD Director

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Trey Jacobson, Chief of Staff, Office of the Mayor

John Peterek, Assistant to the City Manager, Office of the City Manager

Priscilla Soto, Audit Committee Member

Judy Treviño, Audit Committee Member

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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of the Solid Waste Management Department

Heavy Duty Equipment Service Centers

Project No. AU17-025

June 27, 2018

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

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of the Office of the Solid Waste Management Department (SWMD), specifically the Heavy Duty Equipment Service Centers. The audit objective and conclusion follow:

**Determine if the Heavy Duty Equipment Service Centers are operating and managed effectively and efficiently and that performance measures are supported and appropriate.**

The Heavy Duty Equipment Service Centers are operating and managed effectively and efficiently to ensure that equipment is available and business objectives are being met. We determined that SWMD is meeting their operational equipment requirements daily and is accurately billing customer departments for the work performed. We also determined that SWMD's performance measures are supported and appropriate to provide management with an adequate representation of the work being completed.

However, there are opportunities to strengthen the controls associated with the training and development of service center staff as well as the physical security over the parts inventory within each service center.

We recommend that Solid Waste Management:

- Implement a standard process to ensure that employees are attending their required annual trainings and follow-up on instances where training requirements have not been met. In addition, establish documentation retention standards of completed training.
- Implement controls which ensure physical access controls are adequate to protect assets to include maintaining control over parts room keys and collaborating with ITSD to ensure security cameras are functional.

Solid Waste Management Department agreed with the audit recommendations and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 6.

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## Background

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The Solid Waste Management Department (SWMD) Heavy Fleet Maintenance Division operates five vehicle and equipment maintenance facilities whose primary responsibility is to service, maintain, and repair the City's vehicles and equipment. Maintaining the City's fleet in peak operating condition allows City departments to provide residents with essential public services.

The Heavy Fleet Maintenance Division is funded through interdepartmental billings which charge COSA customer departments for services performed. Billings include parts, labor, and outsourced repairs, if applicable. Outsourced repairs are those that require additional parts and expertise. Fiscal year 2017 interdepartmental billings totaled \$18.1 million which is represented in the following chart.

<b>FY2017 Billings by Category</b>	
	<b>Amount</b>
<b>Parts</b>	\$7,603,963
<b>Labor</b>	\$8,182,204
<b>Outsourced Repairs</b>	\$2,358,467
<b>Total</b>	\$18,144,635

Each facility uses Faster, a system for recording repairs and maintenance, as well as managing and monitoring fleet and parts inventory. Day-to-day parts inventory is managed by stock clerks, who are housed at each of the facilities. Each facility has multiple stock clerks who share the responsibilities of ordering parts from vendors, receiving parts and entering into the Faster system inventory, issuing parts to mechanics, charging parts to work orders, and performing the year-end physical inventory. The Heavy Fleet Maintenance Division service centers maintain an inventory of frequently used parts, while remaining parts are ordered as needed through various vendor contracts.

## Audit Scope and Methodology

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The audit scope was fiscal year 2017.

To establish our test criteria, we reviewed SWMD policies and procedures. We interviewed SWMD Management and staff to gain an understanding of the operations and workflow of the Heavy Duty Equipment Service Centers.

As part of our testing procedures we examined controls for ensuring equipment is available to customer departments to fulfill their job duties and validated the accuracy and completeness of SWMD's performance reports. We also inspected the physical security and the environmental practices of the five service centers. Furthermore, we tested the controls around the parts purchasing process for adequate segregation of duties, parts pricing from contracted and non-contracted vendors, and the use of purchasing cards (PCard). In addition, we reviewed the training programs available to mechanics to perform repairs and maintenance on equipment. Finally, we reviewed the Faster system's user access, data backup and recovery process, software version and vendor support, and verified that customer departments were accurately billed for parts and services.

We relied on system generated reports from the Faster system which stores work order and parts inventory data. We relied on the accuracy of the work order and inventory data rather than evaluating the system's general and application controls. We do not believe that the absence of testing 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

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### A. Daily Operations

Solid Waste Management Department (SWMD) has effective processes and procedures in place that ensure equipment is available to fulfill daily job duties. SWMD has procedures and controls in place to ensure vehicles are included on a regular preventative maintenance schedule. In addition, SWMD has an effective process to notify other departments when vehicles are due for maintenance. Finally, we reviewed approximately 1,872 vehicles during fiscal year 2017 and determined the appropriate scheduled maintenance was completed.

#### Recommendation:

None

### B. Accurate Billing

SWMD has procedures in place to ensure work orders initiated in the Faster system are complete and accurate. We reconciled fiscal year 2017 revenue from the Faster system with SAP and determined revenue was accurately recorded. In addition, we reviewed a sample of 25 work orders totaling approximately \$10,033.00 and determined the work orders were accurately entered in the Faster system as well as accurately billed to City departments.

#### Recommendation:

None

### C. Training and Development

SWMD does not have a standard process in place to ensure that all management-level employees are attending their required trainings. In addition, there is a lack of training documentation for completed mechanic's training. We identified 3 of 9 management-level employees attended required annual trainings related to hazardous material safety and pollutant prevention best practices. We also requested documentation of training attended for a sample of 25 mechanics. We identified 17 of 25 mechanics had no documentation of training attended.

A lack of training regarding safety and pollutant prevention could create unsafe work conditions and have an adverse effect on the environment. In addition, lack of sufficient mechanic training documentation may result in an unqualified mechanic working on specific types of equipment.



**Recommendation:**

SWMD implement a standard process to ensure that employees are attending their required annual trainings and follow-up on instances where training requirements have not been met. In addition, establish documentation retention standards of completed training.

**D. Physical Access Controls**

SWMD does not have adequate physical access controls in place to safeguard parts inventory. The control deficiencies include weaknesses in physical key management and inoperable surveillance equipment at all service centers.

Each service center has a parts room that stores inventory used for repairing and performing maintenance on equipment. Additionally, vehicles are kept overnight in the service center parking lots in preparation for the next day's work. Physical access controls should be adequate to safeguard SWMD assets and detect any wrongdoing.

Physical key control is non-existent. SWMD management has no recordkeeping for the custody and issuance of keys that access the parts rooms. Additionally, key control reviews are not conducted on a periodic basis. Finally, the surveillance equipment installed is not fully functional. The audit team reviewed surveillance camera feeds at the service centers and identified 14 of 31 cameras are not working.

Without adequate physical access controls over parts and facilities, assets are at risk of misappropriation causing physical and financial loss.

**Recommendation:**

SWMD implement controls which ensure physical access controls are adequate to protect assets to include maintaining control over parts room keys and collaborating with ITSD to ensure security cameras are functional.

## **Appendix A – Staff Acknowledgement**

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Buddy Vargas, CIA, CFE, Audit Manager  
Gabe Treviño, CISA, Auditor in Charge  
Nastasha Leach, Auditor  
Abigail Medina, CPA, Auditor

## Appendix B – Management Responses



### CITY OF SAN ANTONIO

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

June 18, 2018

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

RE: Management's Corrective Action Plan for Audit of Solid Waste Management Heavy Duty Equipment Service Centers

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

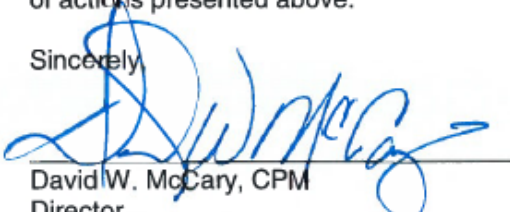
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<b>Training and Development</b>  SWMD implement a standard process to ensure that employees are attending their required annual trainings and follow-up on instances where training requirements have not been met. In addition, establish documentation retention standards of completed training.	4	Accept	David Newman Deputy Solid Waste Management Director	
<b>Action plan:</b> The Solid Waste Management Department agrees with the findings. The audit found that management and mechanic training documentation was lacking for the Transportation and Capital Improvements (TCI) annual Spill Prevention, Control, and Counter measures and Best Management Practices Trainings. The Department <ul style="list-style-type: none"><li>Implemented a standard process to ensure that employees are attending their required annual trainings, which includes follow-up on instances where training requirements have not been met</li><li>Will continue to participate in TCI's annual trainings given to SWMD staff</li><li>Ensure that TCI modifies the relevant training-related policies to ensure that personnel training documents are maintained in personnel files</li><li>Maintain Intelex database to track entire staff training</li></ul>					

Audit of the Solid Waste Management Department  
Heavy Duty Equipment Service Centers

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
2	<b>Physical Access Controls</b>  SWMD implement controls, which ensure physical access controls are adequate to protect assets to include maintaining control over parts room keys and collaborating with ITSD to ensure security cameras are functional.	4	Accept	Ka Rhonda Crummie Solid Waste Administrator	
<b>Action plan:</b> The audit found that some of the cameras at the Service Centers were not functioning and that physical key control was not applied for the stock room inside of the shop area. The Department: <ul style="list-style-type: none"> <li>Implemented physical access controls to ensure the only personnel with keys to the part rooms are: Stock clerks, Managers and Superintendents</li> <li>Inventoried and Coordinated with ITSD to add, remove or repair the 31 cameras mentioned in the Audit</li> </ul>					

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

Sincerely,

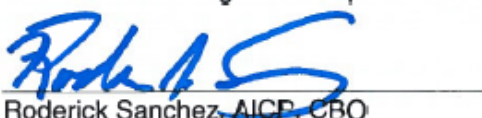


David W. McCary, CPM  
Director  
Solid Waste Management Department

6/19/18

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Date



Roderick Sanchez, AICP, CBO  
Assistant City Manager  
City Manager's Office

6-19-18

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Date

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