



CITY OF SAN ANTONIO

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June 24, 2013

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SUBJECT: Audit Report of Solid Waste Management Department – Accounting and Performance Measures

Mayor and Council Members:

We are pleased to send you the final report of the Solid Waste Management Department – Accounting and Performance Measures audit. This audit began in November 2012 and concluded with an exit meeting with department management in February 2013. Management's verbatim response is included in Appendix B of the report. The SWMD 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,

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

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Solid Waste Management Department

Accounting and Performance Measures

Project No. AU13-022

June 24, 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's (SWMD) Accounting and Performance Measures. The audit objectives, conclusions, and recommendations follow:

Are calculations and key assumptions used to develop SWMD's financial model reasonable and accurate and are performance measures properly supported?

Yes, calculations and key assumptions supporting SWMD's financial model and reported performance measures are reasonable and accurate. The model is an effective tool for comparing annual operating costs, capital expenditures, and projected customer fees under different recycling rate scenarios. Additionally, SWMD's performance measures are reasonable for assessing progress towards departmental goals. However, documentation of supporting information for key model assumptions and performance measure results can be improved.

Due to limited documentation, we relied on the assistance of SWMD staff as we manually retraced and calculated key model assumptions and performance results to supporting information. For example, supporting salary information for assumptions in the cost model was not maintained. However, we were able to determine the salary data used was reasonable.

We recommend that the Director of SWMD ensure that all supporting documentation for information reported externally or otherwise used in management decision making processes is retained. Also, when estimates are used in reporting, they should clearly be noted as such.

SWMD Management's verbatim response is in **Appendix B** on page 5.

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Background

The Solid Waste Management Department (SWMD) serves approximately 340,000 customers, providing weekly residential curbside garbage and recycling services. Additionally, the Department provides semi-annual collection of brush and bulky items and operates two brush recycling centers. SWMD also administers programs for the disposal of dead animals, household hazardous waste materials, and is responsible for monitoring and maintaining closed City Landfills. In FY2012, SWMD completed a pilot program for the collection and recycling of organic material.

SWMD's primary goal is to provide the citizens of San Antonio with cost-effective and environmentally responsible garbage, brush, bulky item, and recycling collection services. SWMD uses two performance metrics to assess its efforts to attain this goal. The recycling rate is used to measure how much of the total waste stream is diverted from disposal at area landfills. This metric divides the tonnage of recovered materials (recyclables, organics, brush, etc.) by the total tonnage collected. The missed collection rate is used to measure the effectiveness of SWMD's weekly curbside collection programs. It is calculated by dividing the total number of missed collection calls made to the City's 311 center by the total number of solid waste customers. These two metrics are reported to the budget office on a quarterly basis for inclusion in the City's 24-7 Performance Report.

In 2010, City Council approved the City's Ten Year Recycling and Resource Recovery Plan, which called for a 60 percent citywide recycling rate by the year 2020. Since that time, the recycling rate has increased from approximately 18 percent to 27 percent. In August 2012, the Mayor and City Council requested a review of the goals established in the Plan and SWMD's proposed expansion of the organics recycling program. This program plays a key role in increasing the recycling rate by diverting additional waste from area landfills.

To assist with this review, SWMD developed a financial model that compares annual operating and capital expenditures for different recycling rate scenarios. The model is also used to project the fees charged to SWMD customers under different scenarios. In January 2013, Council approved an extension of the time frame to attain a 60 percent recycling rate from 2020 to 2025 based on model results. Council also approved a citywide implementation of a subscription based organics program and a gradual implementation of a variable rate, or pay-as-you-throw, fee structure for garbage collection beginning in 2016 (Proposed Scenario).

Audit Scope and Methodology

The audit scope included SWMD's financial model and FY2012 Third Quarter performance metrics.

We interviewed SWMD staff and performed walkthroughs of the financial model and performance measures calculations. We reviewed key assumptions and methodologies supporting the model and performance measures for reasonableness. We validated the model and performance measures calculations and traced the information to the supporting data. Testing criteria included the City's 24-7 Performance Reports, model supporting documents, and our professional judgment regarding the reasonableness and accuracy of the items tested.

We relied on computer-processed data from the City's 311 system. Our testing included review of the data on missed collection call reports. We do not believe that the absence of testing general and application controls of the 311 system had an effect on the results of our audit.

We conducted this audit from December 2012 to February 2013 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

Audit Results and Recommendations

A. Supporting documentation improvements

While calculations and key assumptions supporting SWMD's financial model and reported performance measures are reasonable and accurate, documentation of supporting information can be improved.

Although SWMD provided support for key assumptions that were used to derive the model results presented to Council, we could not make a direct tie to the support without the assistance of SWMD staff. In some cases, SWMD did not retain the original data used. For example, salary assumptions used to derive the model results presented to Council were based on August 2012 salary data obtained from SAP. However, SWMD did not retain the supporting documentation. Instead, SWMD provided an SAP salary report dated January 2013 as support. As a result, we noted variances ranging from \$88 to \$4098, presumably due to salary increases that became effective October 1, 2012.

Also, SWMD published two different third quarter figures for the missed collection rate metric in the Third Quarter and Year End 24-7 Performance reports for FY 2012. According to SWMD management, this occurred because management made changes to the missed collection rate methodology after the third quarter results were published and because they used estimated, rather than actual missed collection call data. Additionally, SWMD did not note the use of estimated data. Using SWMD's new methodology and actual missed collection call data, we determined that the revised missed collection rate for the third quarter was accurately reported on the Year End 24-7 Performance report.

Recommendations

The Director of SWMD should ensure that all supporting information for information reported externally or otherwise used in management decision making processes is retained. Also, when estimates are used in reporting, they should clearly be noted as such.

Appendix A – Staff Acknowledgement

Sandra Paiz, Audit Manager
Cynthia Hicks, CIA, CFE, Auditor in Charge

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

March 21, 2013

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

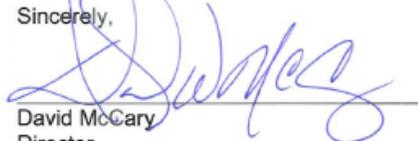
RE: Management's Corrective Action Plan for the Audit of *Solid Waste Management Department - Accounting and Performance Measures*

SWMD 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
A	<p>Supporting Documentation Improvements</p> <p>The Director of SWMD should ensure that all supporting information for information reported externally or otherwise used in management decision making processes is retained.</p>		Accept	David W. McCary, Director	March, 2013
<p>Action plan:</p> <p>The Director has instructed key departmental personnel to ensure that that all supporting documentation for information reported externally or otherwise used in management decision making processes is retained.</p>					

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

Sincerely,


 David McCary
 Director
 Solid Waste Mangement Department

3/22/13
 Date


 Peter Zanoni
 Deputy City Manager
 City Manager's Office

4-9-13
 Date