

Audit of the Solid Waste Division's Overtime

**Report by the
Office of County Comptroller**

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December 8, 2010

Richard T. Crotty, County Mayor
And
Board of County Commissioners

We have conducted an audit of the Solid Waste Division. The audit was limited to a review of internal controls over overtime. The period audited was May 2008 through November 2008.

We conducted this 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.

Responses to our Recommendations for Improvement were received from the Division Manager and are incorporated herein.

We appreciate the cooperation of the personnel of the Solid Waste Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Raymond Hanson, P.E., Utilities Department Director
Ron Nielsen, Utilities Department Deputy Director
James Becker, Solid Waste Division Manager

EXECUTIVE SUMMARY

Executive Summary

We have conducted a review of the Solid Waste Division's overtime. The audit period was from May 2008 through November 2008. The objective of the audit was to determine if internal controls over overtime were adequate. In our opinion, internal controls over overtime were adequate. Opportunities for improvement were noted in certain areas and are summarized as follows:

Supervisors and payroll custodians access employee Kronos time records to complete daily edits in order to properly account for an employee's time. Regarding these edits, we noted that three of 16 employee time records had time reported that was manually edited by a supervisor prior to the actual date worked.

Time records for the Division Manager and four Section Managers were approved by one of the four Section Managers instead of a direct supervisor.

The combined weight of each trailer and capacity vehicle/truck cab transported to the landfill during June 2008 and October 2008 did not reach the goal weight of 78,000 pounds for over 80 percent of the trailers utilized.

Several instances were noted where an employee's actual clock-in and clock-out time were automatically adjusted by Kronos to agree with the employee's scheduled hours. The majority of the adjustments reduced the hours worked for the clock-in time at the start of the shift. We were informed that employees are allowed to clock-in upon arriving at the worksite but remain in the break room until their scheduled shift begins. However, evidence reflecting that the employees are not working is not maintained.

The Solid Waste Division concurred with all of the Recommendations for Improvement and noted steps to implement the recommendations are completed, underway, or planned for all of the recommendations.

ACTION PLAN

AUDIT OF THE SOLID WASTE DIVISION'S OVERTIME ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Solid Waste Division performs the following:					
A)	Enhance their efforts to manage employee schedule changes by implementing a policy preventing manual time record edits until after the anticipated action occurs.	✓			✓	
B)	Ensure all employee time records are approved by a direct supervisor.	✓			✓	
2.	We recommend the Solid Waste Division enhances their efforts to ensure trailers are loaded closer to capacity.	✓			✓	
3.	We recommend the Solid Waste Division, in consultation with legal and human resources personnel, reviews the Kronos rules regarding clock-in and clock-out rounding to ensure the County is adequately protected and employees are paid for time worked.	✓				✓

INTRODUCTION

Background

The Solid Waste Division (Division) is responsible for: landfill and transfer station operations; the maintenance and management of active landfill cells; ensuring closure of cells in accordance with local, state and federal regulations; and ensuring the proper long-term care associated with cells which have been closed. The landfill is the largest publicly owned and operated landfill in Florida. The Division also administers a residential solid waste, yard waste, and recycling collection program for single-family homes in unincorporated Orange County. The Division is part of the Utilities Department.

The use of overtime is primarily a day-by-day decision made by front line supervisors based on recurring operational requirements and unforeseen incidents such as inclement weather, broken equipment and motor vehicle accidents.

Supervisors are required to monitor and approve deviations from their employee's regularly scheduled work hours through Kronos, an automated time and attendance system.

For Fiscal Year 2009 – 2010, the adopted Division budget consisted of \$160 million for expenditures. The related budget request included \$938,602 for overtime. The Mandatory Refuse Collection and Solid Waste System funds totaled \$70 and \$81 million respectively. The Division had 156 authorized positions.

The Comprehensive Annual Financial Report for Year Ended September 30, 2008 indicates that 1,105,344 tons of solid waste were delivered to the landfill and 30,092 tons were recycled.

**Scope, Objectives,
and Methodology**

The audit scope was limited to a review of the Solid Waste Division's overtime. The audit period was from May 2008 through November 2008. The objective of the audit was to determine if internal controls over overtime were adequate.

To achieve our objective, we performed the following:

We reviewed policies and procedures, conducted interviews with managerial and line staff, completed internal control questionnaires, performed a transactional walk-through of the systems in place and documented the various operational processes and systems.

We reviewed each employee's access profile contained in the Kronos timekeeping system, in relation to their position within the Division, for appropriateness.

We reviewed a sample of employee time records to ensure the edits to the time records were made by authorized staff (employee, supervisor or payroll custodian) were not entered prior to the date worked and the clock-in and clock-out times and number of hours worked appeared reasonable.

We compared the latest daily clock-out time of the McLeod and Porter transfer station employee's to their supervisor's clock-out time for reasonableness. If the difference was greater than 30 minutes, we ensured the supervisor of the transfer station supervisor approved the clock-out time.

We verified that overtime was paid in accordance with County policy (personal, term, sick and other types of leave were excluded from the calculation of overtime), by performing the following:

- Compiled a list from PeopleSoft (payroll) records of employees that were paid for less than 40 regular hours and overtime in the same week.
- Calculated the weekly regular, overtime and other leave hours from each employee's Kronos time record.
- Verified that the hours included in PeopleSoft and Kronos reconciled and were accurately classified.

We reviewed a sample of 14 time records and calculated the difference in minutes between the "entered" (actual) and "start/end" times recorded in Kronos to determine if there was a difference in the time an employee physically clocked-

INTRODUCTION



in and clocked-out and the time used by Kronos to calculate hours worked.

We obtained the daily weight receipts from the McLeod and Porter transfer stations for the months of June and October of 2008 and calculated the monthly average weight for each trailer to determine if solid waste transport trailers were loaded near the full capacity weight of 80,000 pounds.

We assessed the number of trips made to the landfill each day to determine if additional trips could be made within the scheduled workday.

Overall Evaluation

In our opinion, internal controls over overtime were adequate. Opportunities for improvement were noted and are described herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. Kronos Related Functions Should Be Enhanced

The Division uses Kronos to ensure the accuracy and accountability of the timekeeping and payroll processes. Non-exempt employees utilize time clocks placed at various facilities throughout the Division to record the start and end of their work shift and facilitate the recording of regular and overtime attendance information. These entries are made when the employee physically keys in his/her employee ID number and the machine scans the employee's fingerprint to verify identity (these entries are called time "punches"). Exempt employees are paid according to a schedule generated by the system and do not utilize the time clocks. Only a supervisor or payroll custodian may access an employee's Kronos time record to complete daily edits in order to properly account for the employee's time.

- A) During our review of 16 employees' time records for the audit period, we noted that 19 percent (3 of 16) of the employees had time reported that was manually edited by a supervisor prior to the actual date worked. The majority of the 50 edits consisted of adding minutes to the employee's time record (41 times) to reduce the automatic lunch deduction scheduled in Kronos. Kronos will override time punches, even if they are for a shorter period of time, and deduct the time programmed in the employee's schedule (usually one hour for lunch). Other edits consisted of punching employees in and out for the day (6 times) prior to the day of work and canceling the lunch deduction (3 times). These entries were made between one and fifteen days prior to the day worked.

Edits to the time record in Kronos should not be performed until after the work day (except in instances where hours worked must be estimated to facilitate a short work week). Without this control, discrepancies between the anticipated and actual work hours may not be detected and hours worked may not agree to hours paid.

- B) As exempt employees, the Solid Waste Division Manager and four Section Manager positions are automatically scheduled in Kronos to receive 80 regular hours per pay period. The employees are not required to punch in or out and edits are only required for unscheduled events, such as leave time.

During our review, we noted that the time records for all of these positions are approved by one of the four Section Managers instead of a direct supervisor of the employee.

Good internal controls include the approval of employee time records by a direct supervisor to ensure hours worked and leave balances are accurately stated.

We Recommend the Solid Waste Division performs the following:

- A) Enhance their efforts to manage employee schedule changes by implementing a policy preventing manual time record edits until after the anticipated action occurs.
- B) Ensure all employee time records are approved by a direct supervisor.

Management's Response:

We concur. Recommendation A) concerns the supervisory practice of scheduling planned deviations on timecards in advance of the deviation taking place. Specifically, edits which document planned deviations from the employee's scheduled lunch break were cited. The Departmental Operating Procedure for Kronos will be revised to direct supervisors to wait until after the deviation takes place to make this adjustment on the employee's timecard. Recommendation B) is a current DOP requirement and will be monitored for enforcement.

2. Additional Efforts Should Be Taken to Load Transport Trailers Closer to Capacity

Solid waste received at the McLeod and Porter transfer stations is dumped on the tipping floor where a loader pushes it into 45 and 48 foot County transport trailers. To ensure the combined weight of the trailer and capacity vehicle/truck cab (trailer hereafter) does not exceed the maximum weight of 80,000 pounds allowed by the Florida Department of Transportation (FDOT), the trailer is weighed at the transfer station before the solid waste is transported to the landfill. The Divisions' attempts to load the trailers close to 78,000 pounds to ensure the waste is transported efficiently.

During our review of the average trailer weight for two months, June 2008 and October 2008, we noted that over 80 percent of the trailers used did not reach 78,000 pounds.

The following table illustrates the number of trailers during the two months below 78,000 pounds and the amount below.

McLeod/Porter Transfer Station June and October 2008		
Trailer Weight	Number of Trailers in Weight Range	Percent of Trailers in Weight Range
Less Than 65,000	297	8.59%
65,000 to 65,999	96	2.78%
66,000 to 66,999	110	3.18%
67,000 to 67,999	120	3.47%
68,000 to 68,999	183	5.30%
69,000 to 69,999	174	5.03%
70,000 to 70,999	201	5.82%
71,000 to 71,999	224	6.48%
72,000 to 72,999	247	7.15%
73,000 to 73,999	274	7.93%
74,000 to 74,999	246	7.12%
75,000 to 75,999	210	6.08%
76,000 to 76,999	247	7.15%
77,000 to 77,999	252	7.29%
Above 78,000	575	16.63%
	3,456	100.00%

Trailers that are not fully loaded increase the number of trips required to transport the solid waste to the landfill which can

increase the number of work hours, fuel consumption, and wear and tear on the trailers.

We Recommend the Solid Waste Division enhances their efforts to ensure trailers are loaded closer to capacity.

Management's Response:

We concur. By way of background, outbound scales at our transfer stations were constructed in response to a May 2000 Internal Audit recommendation that we institute steps to ensure that we do not overload trailers in order to comply with legal weight limits. As such, the purpose of the scales is to ensure that trucks leaving the transfer station weigh 80,000 pounds or less.

Loader operators at the transfer stations have been instructed to load trailers without exceeding the maximum limits since trailers loaded in excess of capacity must be unloaded, and then reloaded which is extremely inefficient resulting in costly delays, overtime and long customer waits at the transfer stations.

Visually estimating mixed garbage when attempting to load trailers closer to maximum weight capacity is particularly challenging since trailer loads that contain light weight but bulky materials can exhaust the volume capacity, while the trailer may be significantly less than the maximum weight capacity. Under loading trailers in these circumstances may be unavoidable. A comprehensive analysis on trailer capacity must consider volume and weight.

Recent advances in weighing technologies have resulted in the opportunity for Solid Waste to begin purchasing trailers with on-board scales as a part of the trailer replacement program beginning in FY 2009. To date, Solid Waste has purchased 19 trailers with on-board scales. In the next ten years, if budgets allow, trailers without on-board scales will be replaced with trailers with on-board scales. Solid Waste will continue to work towards achieving the optimal load efficiencies based on volume and weight for all trailers.



3. Employees Should Clock-In and Clock-Out According To Their Scheduled Work Hours

For the pay period ending October 18, 2008, we performed a detailed review of the time records for the 14 non-exempt employees assigned to the Porter transfer station. We noted several instances where the employee's actual clock-in and clock-out time were automatically adjusted to agree with the employee's scheduled hours. Kronos uses the adjusted time to calculate the daily hours worked. This occurred because the Utilities Department has programmed Kronos to automatically edit actual punches to round employee's time punches to align with the employee's scheduled start and end times, unless overridden by a supervisor. For example, if an employee clocks-in at 6:30 a.m., but is scheduled in Kronos to work from 7:00 a.m. Kronos will automatically adjust the employee's start time to 7:00 a.m. and calculate the hours worked from 7:00 a.m., not 6:30 a.m.

We found that the majority of the Kronos adjustments reduced the number of hours worked. A summary of the most common adjustments for the 106 time punches reviewed for the 14 employees is noted below:

DAILY TOTALS	
Minutes Added or Deducted from Actual Punch Time	No. of Incidents (out of 106 time punches)
Start of Day Punch Time	
(26) - (30)	21 (20%)
(11) - (15)	26 (25%)
(6) - (10)	23 (22%)
Lunch Period Punch Time	
(6) - (10)	28 (26%)
(4) - (5)	18 (17%)
(1) - (3)	19 (18%)
End of Day Punch Time	
4 - 5	12 (11%)
(1) - (3)	25 (24%)
0	52 (49%)

Positive No. = minutes were added to the actual time
Negative No. = minutes were subtracted from the actual time

We also noted that the cumulative effect for the pay period reduced the number of hours worked by as much as 91 to 120 minutes for 29 percent of the 14 employees' Start of the Day Punch Times.

As noted above, the most significant differences occur for the clock-in time at the start of the shift. We were informed that employees are allowed to clock-in upon arriving at the work-site but remain in the break room until their scheduled shift begins. However, evidence reflecting that the employees are not working is not maintained. Therefore, it is possible that an employee could claim he/she was working during the time reflected in the Kronos system. The difference between the actual time an employee clocks-in and clocks-out compared to the Kronos adjusted time can raise doubt as to the accuracy of the time records and weaken the County's ability to defend itself should a legal dispute arise.

We Recommend the Solid Waste Division, in consultation with legal and human resources personnel, reviews the Kronos rules regarding clock-in and clock-out rounding to ensure the County is adequately protected and employees are paid for time worked.

Management's Response:

We concur. Utilities Department will address this recommendation with the County Attorney's Office, Human Resources and County Administration as it has county-wide ramifications. Kronos rounding rules vary from department to department throughout the County based on operational requirements.