FACILITIES MANAGEMENT

RECYCLING AND WASTE MANAGEMENT

AUDIT REPORT #21-2002

Audit & Advisory Services

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Background

In accordance with the UCLA Administration fiscal year 2020-21 audit plan, Audit & Advisory Services (A&AS) performed an audit of recycling and waste management activities that are managed by the Facilities Management (FM) department.

The mission of sustainability at UCLA is to create a culture in which the entire University community is aware of, engaged in, and committed to advancing sustainability through education, research, operations, and community partnerships. The Facilities Management recycling program supports the University-wide target of zero waste by providing recycling services on campus grounds and to state-funded buildings. FM’s recycling services are mainly focused on state-funded buildings.

The University of California (UC) Sustainability Practices Policy, Section III, F. 1. states that the minimum compliance for zero waste includes reducing total municipal solid waste generation by 25% per capita from fiscal year 2015/16 levels by 2025, and 50% per capita from fiscal year 2015/16 levels by 2030. Minimum compliance for zero waste also includes diverting 90% of municipal solid waste from landfills. Ultimately, UC’s zero waste goal strives for the elimination of all materials sent to landfills.

Initiated in 1990, the FM Recycling Program currently recycles nearly nine million pounds of waste generated annually by the UCLA community. The total campus diversion stream consists of green waste, waste converted to energy, construction waste, electronic waste, paper, cardboard, plastics, food composting, bottles and cans, wood and metal, and fluorescent light bulbs.

FM’s Custodial Services unit employees collect waste and recyclables inside of buildings while FM’s Grounds unit employees perform waste pick-ups outside of buildings. As of September 2020, the FM Grounds unit had 62 employees, supervised by the Grounds Senior Superintendent. The FM Custodial Services unit employed approximately 325 employees, supervised by the Custodial Services Manager. Both areas are managed by the Director of Custodial and Grounds.

A&AS notes that the review was performed entirely during the COVID-19 pandemic. As a result, both FM personnel and A&AS were required by State of California and Los Angeles County health guidelines to work remotely for increased protection against the virus. This, in turn, narrowed the scope and methods of work that would typically be conducted for this type of review.

Purpose and Scope

The primary purpose of the review was to ensure that FM’s internal controls related to recycling and waste management are conducive to accomplishing its business objectives. The secondary purpose of the review was to evaluate the adequacy of internal controls. Where applicable, compliance with campus and University policies and procedures was also reviewed.

The scope of the review focused on the following areas:

* UC Sustainable Practices Policy
* Financial Administration
* Health and Safety

The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests of records, and other auditing procedures considered necessary to achieve the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, FM’s internal controls are generally conducive to accomplishing its business objectives related to recycling and waste management activities. However, internal controls and related processes could be further strengthened by implementing the following:

*UC Sustainability Practices Policy*

* Management should ensure that adequate personal protective equipment (PPE) is provided to all personnel that are authorized to perform waste audits. PPE will help protect personnel from any potential exposure and/or contact with hazardous waste.

*Financial Administration*

* Management should review the certificates of insurance prior to working with new vendors to verify that adequate insurance coverage is in place to limit the liability of the University resulting from accidents or injuries occurring while on campus.
* Management should ensure that its staff are adequately trained on the proper uses of low-value orders. If an active agreement is in place, the purchase should be made using the agreement instead of a low-value order. If agreements do not exist, purchases should be processed on requisitions (R-class orders) and then sent to Campus Purchasing for approval. These practices will help to ensure that each vendor is properly vetted and insured.

The audit results and corresponding recommendations are detailed in the following sections of the report.

Audit Results and Recommendations

UC Sustainability Practices Policy

The UC Sustainability Practices Policy establishes goals in nine areas of sustainable practices: green building, clean energy, transportation, climate protection, sustainable operations, waste reduction and recycling, sustainable procurement, sustainable food service, and sustainable water systems. Reduction, reuse, recycling, and composting are the primary methods used to achieve municipal solid waste diversion from landfill goals.

Audit work included interviews with management, observation of the use of the Tableau website, review of the Sustainability Annual Report 2020 and the Zero Waste Executive Briefing, and review of internal recycling and waste management reports. These internal reports track the progress of FM’s recycling and waste management program of achieving the UC Sustainable Practices target of zero waste.

Although there are not stand-alone recycling and waste management procedures per se, there are a variety of materials that outline the requirements. Based on a review of information found on the FM Recycling & Waste Management website (custodial training presentation materials, and waste disposal safety training materials) A&AS determined that this information appears to be compliant with the UC Sustainable Practices Policy and reflects current business practices.

A&AS analyzed custodial training materials, as well as a February 2020 in-person training roster (pre-COVID), to determine if custodial and grounds employees are adequately trained in proper recycling and waste management practices. In-person trainings have not been performed since the onset of the COVID-19 pandemic. Therefore, no additional training rosters were available for review after February 2020. The following was noted:

1. Waste Audits

There is a lack of necessary personal protective equipment (PPE), (i.e., masks, face shields, grab sticks, fire extinguishers, etc.) provided that would help to ensure that waste items are handled safely by authorized personnel thereby protecting the health and welfare of department staff and student interns.

FM monitors the recycling and waste management program’s progress by periodically auditing the types of waste produced on campus. The Zero Waste Coordinator and student interns conducted waste audits, prior to COVID-19, by manually sorting through waste in various receptacles around campus. These audits help management to understand the composition of waste being generated. Students are not allowed to go into waste bins because of safety reasons.

Recommendation: Management should ensure that adequate PPE is provided to all personnel who are authorized to perform waste audits. PPE will help protect personnel from any potential exposure and/or contact with hazardous waste.

Response: Resolved. Face shields and grab sticks were ordered and will be readily available. Face masks, Tyvek suits, and gloves are in stock at the warehouse and will be made readily available. Fire extinguishers will be provided by Facilities Management and will be present for future audits.

Financial Administration

A&AS met with department management to identify and review the three newest donation recycling vendors that have become active since the previous audit in 2017. The vendors included Habitat for Humanity, Human I-T, and Two Bit Circus. These were examined to verify that they are University-approved vendors and have the appropriate insurance to conduct business on campus.

Data analytics was used to select a judgmental sample of 15 invoices from fiscal year 2019-20. The sample invoices were tested to verify whether they were adequately documented, properly reviewed and approved, agreed with the terms of the purchase order, and charged appropriately. A discussion was also held with Campus Purchasing to obtain additional relevant information.

Deposit reconciliations for January, February, and March 2020 were evaluated to verify that reconciliations are adequate and were performed in a timely manner.

Further, a judgmental sample of five rebates received in fiscal year 2019-20 from four vendors were reviewed to verify that rebate amounts received by the University were appropriate. The following were noted:

1. Vendor Insurance

One of the three recycling vendors, Habitat for Humanity, did not have all the appropriate insurance coverages as required by the University. Although the Workers’ Compensation and employer's liability coverage on file is current, the vendor did not also maintain the general liability and business automobile coverage needed to fully comply with University requirements. As a result of the audit, the vendor obtained the missing coverage types mandated to protect the University from actions where the vendor may be liable.

Based on a review of the three newest recycling vendors added since the previous audit in 2017, it was determined that one of the vendors, Two Bit Circus, is not currently utilized by FM, although there is an active contract. Therefore, no activity from this vendor exists and, as a result, further audit review was not applicable. Of the two current recycling vendors being utilized, both vendors were approved by the University.

Recommendation: Management should review the certificates of insurance prior to working with new vendors to verify that adequate insurance coverage is in place to limit the liability of the University resulting from accidents or injuries occurring while on campus.

Response: Resolved. Current vendors have been since re-registered internally with Facilities and will be asked for updated certificates as we approach expiration dates. All future vendors will be asked to submit all applicable certificates, where they will be reviewed by Management before proceeding to next steps.

1. Low-Value Orders

Based on testing of the 15 invoices, all were adequately documented, properly reviewed and approved, and the amounts billed agreed to the purchase orders. However, A&AS determined that one transaction was incorrectly processed as a low-value order (LVO). The following was identified:

* One LVO was processed for $8,856 (landscaping services) when an active agreement was apparently in place. This transaction should have used a requisition rather than an LVO.

Recommendation: Management should ensure that its staff are properly trained on the use of low-value orders. If an active agreement is in place, the purchase should be made using the agreement instead of a low-value order. If agreements are not available, purchases should be processed on requisitions (R-class orders) and then sent to Campus Purchasing for approval. These practices will help to ensure that each vendor is properly vetted and insured.

Response: Resolved. All management staff have been issued a link to the Purchasing website to review the processes that are required for usage of an LVO.   
<https://www.purchasing.ucla.edu/purchasing/purchasing-methods/low-value-orders>. Management staff will email a reply confirming they reviewed the guidelines.

Health and Safety

Audit work included discussions with management to determine the types of safety training provided to custodial and grounds employees, and how often the trainings are completed. Prior to the COVID-19 pandemic, “safety tailgate” trainings were provided to staff on a monthly basis by the Custodial & Grounds Principal Financial Analyst (Analyst). Currently, training flyers (guides) are distributed to staff. The Analyst collaborates with Environment, Health & Safety (EH&S) personnel on a monthly basis to determine the topics for each month. EH&S then shares the guides, which the Analyst distributes to staff.

At the end of each month, the Analyst ensures that the information is saved on the established Safety common network drive, and that the information is uploaded into Work Safe. Work Safe is a database that stores all training documentation. The database can also produce reports by course and/or department. EH&S then audits this information to ensure that Facilities Management is meeting program requirements.

Logs documenting which employees completed the trainings are maintained in Work Safe or the campus Learning Management System. Employees also document their attendance on sign-in sheets when they attend trainings in-person. Based on A&AS review of training logs and rosters for onsite safety trainings conducted in February, July, and October 2020, trainings are conducted on a regular basis and appear to be adequately tracked and monitored.

There were no significant control weaknesses noted in this area.

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