



Transfer Station Operating Controls:

Strengthen management practices to reduce risks

September 2023

A Report by the Office of the Auditor

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MEMORANDUM

September 27, 2023

To: Lynn Peterson, Council President
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Christine Lewis, Councilor, District 2
Gerritt Rosenthal, Councilor, District 3
Juan Carlos González, Councilor, District 4
Mary Nolan, Councilor, District 5
Duncan Hwang, Councilor, District 6

From: Brian Evans, Metro Auditor

Re: Audit of Transfer Station Operating Controls

This report covers the audit of transfer station operating controls. The purpose was to determine whether Metro had effective policies and procedures to manage operating risks. It assessed the health and safety program, contract management, point-of-sale system, and other aspects of the current operating environment that impact Metro's ability to provide solid waste services.

The audit found gaps in roles and responsibilities for transfer station operations that increased health and safety, and financial risks. Procedures to manage some risks were underdeveloped or not assigned. Ad hoc management practices reduced transparency and accountability for transfer station operations.

Garbage and recycling services do not draw a lot of attention when working well, but if they are unable to meet the public's needs it can have a profound effect on their trust in government. The weaknesses identified in this report indicate a lack of basic management practices and commitment to a long-term vision for Metro's part of the regional solid waste system. It will take sustained attention at the highest levels of the organization to overcome these challenges.

We have discussed our findings and recommendations with Marissa Madrigal, COO; Carrie McClaren, Metro Attorney; Holly Calhoun, Deputy COO; Andrew Scott, Deputy COO, Marta McGuire, WPES Director; Brian Kennedy, CFO; Rachel Tull, CIO; Cary Stacey, WPES Deputy Director; Tom Chaimov, Garbage & Recycling Program Director; Courtney Patterson, Asset and Environment Stewardship Program Director; Debbie Humphrey, Metro Central Superintendent; and Matt Tracy, Metro South Superintendent. I would like to acknowledge and thank all the employees who assisted us in completing this audit.

Summary

Metro's Waste Prevention and Environmental Services (WPES) department manages two publicly-owned solid waste transfer stations in the region; Metro South and Metro Central. Together these facilities process about 39% of the waste generated in the region.

Transfer station operations present significant safety, financial, and environmental risks. The purpose of this audit was to determine whether Metro had effective policies and procedures to manage these risks.

The audit found the effectiveness of the health and safety program was reduced by shared responsibilities among and within Metro departments and external contractors. Policies and procedures were not kept up to date, required training was not offered or completed, and oversight of program effectiveness was not done.

Transfer station operations depend on contractors to provide services. The audit found risk management tools were not used consistently. Insufficient risk assessment and contract administration planning increased the chance of WPES not getting what it paid for or paying more than it should have.

Significant compliance issues with WPES' contracts for diesel fuel and household hazardous waste were identified during the audit. This led to overpayments to the fuel contractor, and non-compliance with household hazardous waste reporting requirements.

The complexity of the South operating contract shows how critical it is to document roles and responsibilities for contract management. The contract is over 650 pages long and has a complex payment structure. We were told a new Central operating contract was likely to be structured like South's. If this is the case, WPES may need to allocate additional resources for contract management.

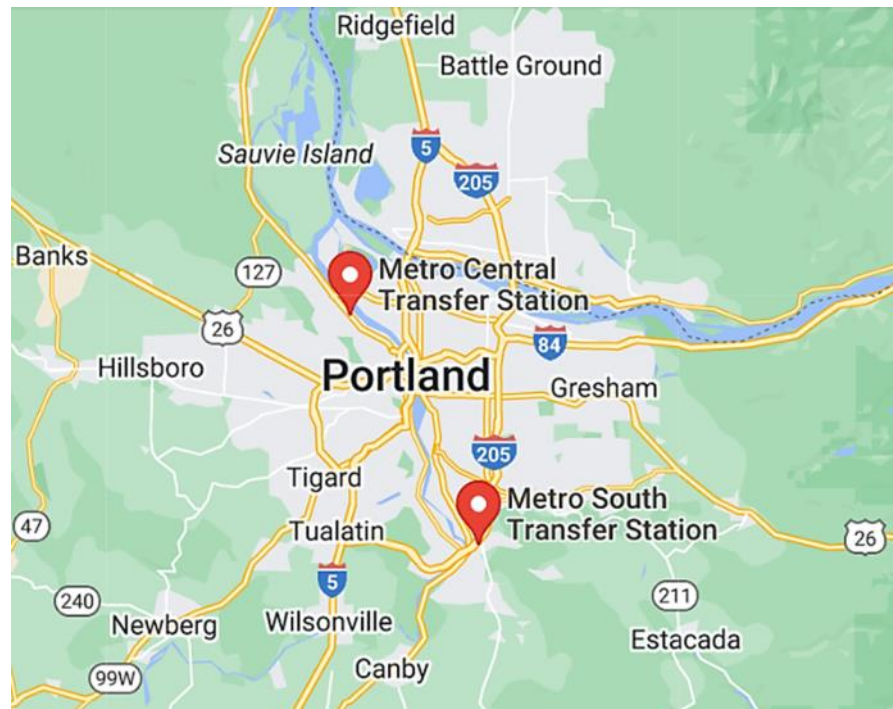
Transfer station operations are at a pivotal moment. South has been operating for 40 years and Central for 33 years. The same point of sale system has been used for over 35 years. In several areas, current operating risks are exacerbated by lack of clarity about what will happen next. This makes it difficult for employees and management to make best use of available resources. Without additional clarity, it is more likely that resources will be used for efforts that may be at cross-purposes.

The audit included 20 recommendations. Twelve were designed to strengthen internal controls and contract risk management practices for transfer station operations. Two focused on ensuring compliance with internal processes. The final six recommendations were related to reducing gaps and overlaps in WPES oversight.

Background

Metro's Waste Prevention and Environmental Services (WPES) department manages two publicly-owned solid waste transfer stations in the region. Metro Central (Central) is in Portland's northwest industrial area. Metro South (South) is in Oregon City. Together these facilities process about 39% (approximately 600,000 tons) of the waste generated in the region. In addition to garbage both facilities accept household hazardous waste.

Exhibit 1 Metro owns two solid waste transfer stations



Source: Google Maps

Both transfer stations are operated by a combination of Metro employees and contracted employees. At each site, Metro employees staff the scale house where loads are weighed and payments are processed. They also staff the household hazardous waste program at each facility. Contracted employees staff the transfer station, which includes moving material once it is inside the bays, compacting it, and loading it into semi-trailers for transport to the landfill or other processing facility.

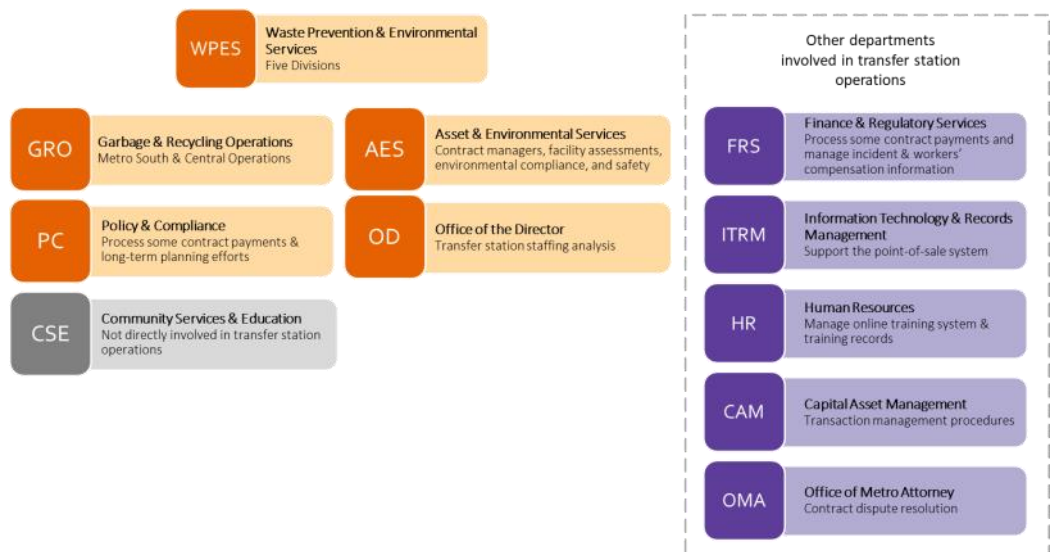
Although both transfer stations provide similar services and have co-managed operations, there are some variations between them. Central accepts commercial food waste, but South does not. Traffic management at South is staffed by Metro employees. At Central, contracted employees direct traffic.

There are also variations in the number of customers served and volume of material received at each station. South serves a larger number of self-haul customers compared to Central. Central has more commercial customers who bring larger loads compared to South. As a result, South manages more transactions and customers daily.

In addition to onsite operations, other contractors provide critical services at both transfer stations. WPES contracts with a trucking firm to deliver material to the landfill and has a separate contract with the landfill operator. Another contract provides diesel fuel for transportation. There are also several contracts to process and transport household hazardous waste.

WPES is organized into five divisions. The Garbage and Recycling Operations division includes the employees who work onsite at Central and South. Several other divisions are also involved in aspects of transfer station operations including processing payments to vendors, managing contracts, environmental compliance, and safety. At least one person from four of the five WPES divisions had some role in the parts of transfer station operations reviewed in this audit. Several other departments support transfer station operations including Finance and Regulatory Services (FRS), Information Technology & Records Management (ITRM), Human Resources (HR), Capital Asset Management (CAM), and the Office of Metro Attorney (OMA).

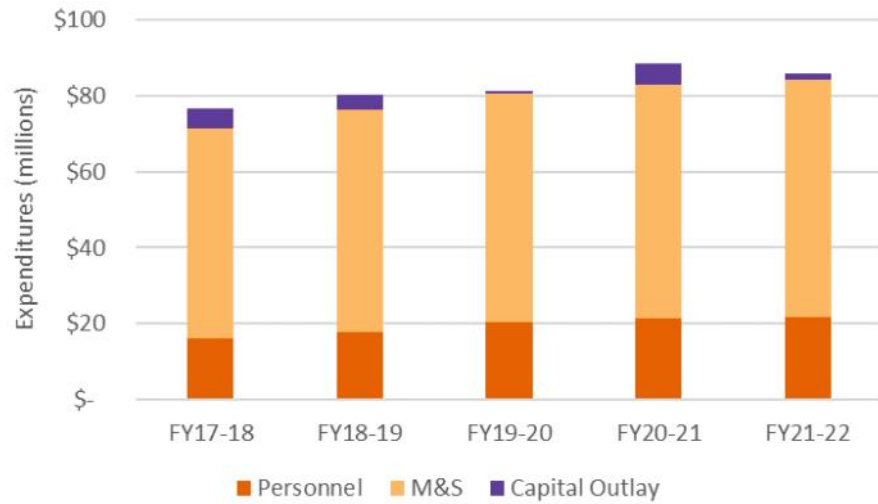
Exhibit 2 Employees in several WPES divisions are involved in transfer station operations



Source: Auditor's Office analysis of Waste Prevention and Environmental Services' organizational chart

WPES is Metro's second largest department. Expenditures in FY2021-22 were about \$86 million, which was 12% more than it was five-years ago. Materials and Service expenditures, which includes payments to contractors, accounted for about 73% followed by personnel costs at 25%. Capital outlay accounted for 2%. The department employed 193 full-time equivalent employees in the FY2021-22, which was 58% higher compared to five-years ago.

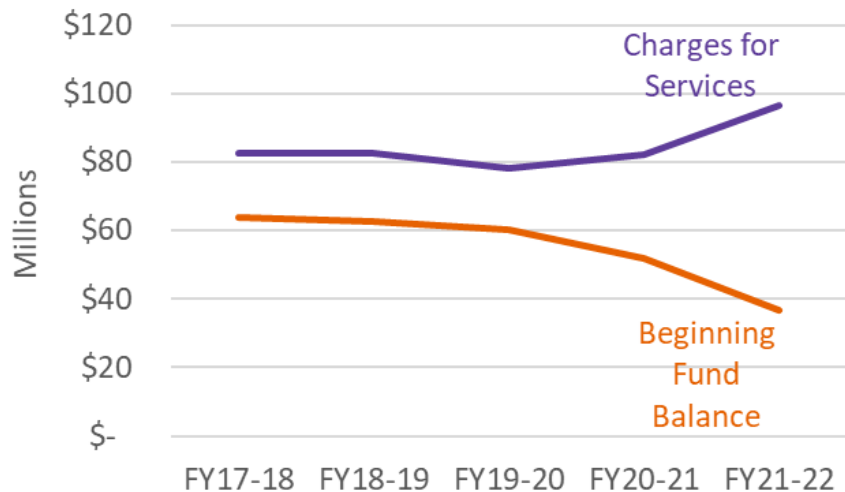
Exhibit 3 Expenditures grew by 12% over the last five years



Source: Auditor's Office analysis of audited expenditures adjusted for inflation

Over the last five-years, revenue from charges for services increased by 17% which was faster than expenditures (12%). During the same time, WPES spent a significant amount of its reserves. Usually when revenue rises faster than expenditures there is less need to use fund balances. About 57% (\$15 million) of the decreasing balance occurred between FY2020-21 and FY2021-22.

Exhibit 4 Revenue from service charges rose while the fund balance decreased



Source: Auditor's Office analysis of audited expenditures and revenues adjusted for inflation

Results

Metro's transfer station operations are at a critical moment in time. The global pandemic created significant challenges. Intense weather events like snow and ice storms, poor air quality, and extreme heat have closed the stations on several occasions in recent years. Long-serving employees have retired, or will retire, in the coming years. Buildings, equipment, and the point-of-sale system all require substantial investments.

In addition to these challenges, the audit found there were gaps in roles and responsibilities for transfer station operations that increased health and safety, and financial risks. Procedures to manage some risks were underdeveloped or not assigned. Ad hoc management practices reduced transparency and accountability for transfer station operations.

Audit results are summarized in five sections each with significant findings.

- Transfer station operations present significant risks
- Shared responsibilities increased health and safety risks
- Roles and responsibilities for contract management were undefined and inconsistent
- A long-term vision is needed to stabilize operations
- Successful change management requires leadership

The weaknesses identified in this report indicate a lack of basic management practices and commitment to a long-term vision for Metro's part of the regional solid waste system. Garbage and recycling services do not draw a lot of attention when working well, but if they are unable to meet the public's needs it can have a profound effect on their trust in government. The variety of stakeholders who may be affected by any change from the status quo, puts Metro at risk of using its resources for initiatives that are at cross-purposes. It will take sustained attention at the highest levels of the organization to overcome these challenges.

Transfer station operations present significant risks

Transfer station operations present significant safety, financial, and environmental risks. During the audit, we learned of several incidents that show how quickly things can escalate when procedures are not followed and managers do not monitor compliance.

Household hazardous waste (HHW) programs present the most obvious challenges because they are expected to take the most challenging materials. However, garbage and recycling loads can also present significant risks if they are not stored properly or contain dangerous materials. To ensure safety, all loads need to be properly screened and managed to effectively deal with potential hazards like lithium batteries, asbestos, or unknown chemicals.

The first interview for this audit had to be delayed because a toxic gas leak closed South. Other interviews were delayed because of an emergency at Central. The incident report indicated that the phones at the HHW building were not able to dial 911 during the emergency. A Metro Councilor learned that a fire occurred at South as the Metro Auditor was briefing them about risks identified during the audit.

Below are other examples that show the significance and breadth of risks associated with transfer station operations. In each of these cases policies and procedures were not known by employees or not followed. Had they been, some of the risks would have been reduced. This shows the importance of managers monitoring compliance and initiating corrective actions so that inherent risks do not become catastrophic.

Public and employee safety

On December 1, 2021, radium was dropped off at the South HHW facility. Employees contacted the State of Oregon's Radiation Protective Services (RPS) to get guidance on how to handle it. RPS inspected the material the next day but did not remove it. The radium was stored behind the truck wash station, which was closed as a result. The material remained on site for a little over four months in total.

RPS stated that human safety risks were low as long as no one was within three feet of the material for an extended period of time. Metro employees followed up with RPS several times in December and February. RPS inspected the items again at the end of January. Their readings indicated the material was still highly radioactive and a significant threat to human health. RPS stated that they would not be able to remove the material until April 2022 at the earliest.

In response, Metro hired another contractor who inspected and repackaged the material on March 10, 2022. The contractor provided their report to Metro on March 21, 2022. The report confirmed that extreme caution should be used when handling the radium or working near the material. After the radium was repackaged, the report stated that the exposure rate outside the fenced off area met the safety standard. The material was removed from Metro South on April 7, 2022.

We identified potential misalignments in policies and procedures related to this incident. There appeared to be inconsistent guidance for contractors and Metro employees. The guidance for contractors stated that all radiation incidents should be treated as an emergency. Guidance for Metro employees was less definitive. The differences may have impacted who at Metro was notified about the incident and how it was documented.

On March 23, 2022, South was evacuated when a grenade was found. Employees evacuated the buildings and congregated near the truck wash as specified in the emergency response plan. That meant employees ended up gathered near radioactive material while waiting for the bomb squad to respond. Fortunately, employees were near the material for less than an hour which reduced health risks. Nevertheless, these incidents show how important it is to have enough space to store harmful materials away from people, and the need to make timely decisions to minimize risks.

Cost containment

Informal management of the diesel fuel contract led to at least \$125,000 in overpayments. The contract dispute also cost about \$33,000 for a forensic accountant to document the extent of overpayments, as well as staff time in WPES and OMA to investigate and gather information.

Fuel invoices did not specify the actual fuel type provided and the fueling station was not set up to monitor the type of fuel used, which was a condition of the contract. WPES had not inspected the facility since June 2019, which meant one of the conditions of the contract's scope of work was not verified prior to awarding a new contract.

While the contract dispute was being investigated, WPES contracted with another diesel fuel provider. Several months after the new provider was engaged, employees were still working to ensure the appropriate rate was being charged.

Environmental stewardship

WPES' primary contractor to transport and dispose materials collected at each HHW facility did not provide certification of treatment or disposal for over 370 shipping manifests since 2016. This means Metro does not know what happened to the material after it was collected by the contractor.

Each manifest had several materials, and each required its own certification within one or two years of collection. Based on data provided by WPES, it appears that at least 3,400 items (i.e., barrels, pallets, etc.) have not been documented as required by the contract.

We also received data that indicated other contractors who have transported HHW materials have not provided required documentation for some shipments dating back to 2009. Without these documents, WPES cannot provide assurance to the public that their HHW materials were disposed of properly.

Shared responsibilities increased health and safety risks

The audit found the effectiveness of the health and safety program was reduced by shared responsibilities among and within Metro departments and external contractors. Despite three departments, and five cross-functional committees being involved in the program, significant gaps were evident. Policies and procedures were not kept up to date, required training was not offered or completed, and oversight of program effectiveness was not done.

To be effective, each part of the overall program needs to have a defined role and the program needs oversight. When clearly defined, duplication of efforts or gaps in coverage can be avoided. Gaps in coverage increase the chances that some risks to workers and the public are not adequately addressed.

Policies were not reviewed and updated as required

Transfer station operations are required to follow laws, policies, and procedures to protect employee health and safety. Legal requirements come from occupational safety and health laws at the state and federal level. Metro has several policies and procedures to ensure alignment with these requirements. These policies and procedures apply to WPES contractors and are referenced in operating contracts. Many health and safety policies are required to be reviewed annually to evaluate their effectiveness and accuracy. The annual reviews are supposed to be documented with signatures and dates. The audit found that reviews were not completed in a timely way for eight of the ten policies included in the audit.

The value of annual reviews was to ensure that staff were adhering to required procedures. By identifying deficiencies early, employers can make modifications to improve practices that support safe working conditions. Continued use of outdated policies and lapses in reviews could put workers at higher risk of injury and Metro at risk of non-compliance with legal requirements.

Exhibit 5 Policy evaluations were not current for eight of ten policies

Metro policy	Requirement	Last Review	Current
Hot Work Procedure	Review annually for effectiveness	2014	No
Confined Spaces	Evaluate annually	2014	No
Respiratory Protection	Evaluate effectiveness	2015	No
Job Hazard Analysis	Evaluate compliance	2016	No
Powered Industrial Trucks II	Evaluate compliance	2016	No
Energy Isolation Procedure	Evaluate compliance	2017	No
Elevated Work (Fall Protection)	Evaluate compliance	2020	No
Bloodborne Pathogens	Annual review	2020	No
Heat Illness Prevention Policy	Evaluate worksite adherence	2022	Yes
Wildlife Smoke Protection Policy	Evaluate worksite adherence	2022	Yes

Source: Auditor's Office evaluation of internal policies (as of 6/22/2023)

In addition to managing its own health and safety program, WPES also oversees contractor health and safety requirements. Provisions in South and Central operating contracts require adherence to Metro's policies and procedures. The purpose of oversight is to ensure contract terms are met.

We found that the health and safety contract requirements lacked oversight. At South, oversight was assigned, but the employee in that role had no

knowledge of the assignment and no prior involvement in contract management. At Central, responsibility for health and safety oversight was not assigned, but the superintendent stated that safety is discussed and documented in the monthly meetings, where staff are in attendance.

Required trainings were not completed

Health and safety policies also require workers to provide training. Annual training is intended to educate employees on hazards and provide guidance to promote safe work practices.

Transfer station workers encounter various types of hazards on the job. For example, in 2022, a near-miss incident at one of the transfer stations involved bags of broken and loose sharps containers. At another location, an unsecured container of sharps fell down a hazardous waste technician's arm. While no injuries were sustained, improper disposal of sharps containers had been an ongoing issue. These types of incidents show the importance of training to help employees prepare for the hazards they may face on the job.

Training for dealing with bloodborne pathogens was one of the required trainings for all employees at risk of exposure to bloodborne pathogens or potentially infectious materials. Records showed that only four of the 58 employees meeting these criteria in 2022 completed training. This was an improvement from the prior year when no bloodborne pathogen trainings were documented.

Training deficiencies were also found when evaluating records for employees who work in hazardous waste positions. These employees encounter some of the most difficult types of material delivered to the transfer stations. This can include battery acids, toxic and corrosive chemicals, explosive devices, and weapons.

Hazardous waste employees also serve as emergency responders for incidents in any part of the transfer station. By rule, they are required to complete an initial series of hazardous waste operator emergency response trainings and retrain annually. Training documentation showed 23% of employees did not receive the annual refresher training in 2022.

WPES also required completion of annual safety trainings in other areas. Incomplete training requirements were found for asbestos awareness, hazard communication, and radiation safety. Fifty-seven percent of employees did not have training in asbestos awareness, which is a commonly encountered hazardous waste material. When trainings are not completed it not only put workers at risk, but also the public who visit transfer stations.

Exhibit 6 Lack of training can increase risk



Source: Auditor's Office analysis of training records

^It is possible that up to 63% of employees did not complete this training. Management stated that six employees took the course who were not included in the training records we received.

WPES contractors are also required to complete training. The South contract requires contractors to report a schedule of trainings in their annual report. The Central contract does not have the same requirement; however, contractors also include a schedule of trainings in their annual report. While the contractors have their own system for employee training, they are required to comply with federal, state, and local regulations, which includes training. Our review of contract terms and annual reports revealed possible lapses in meeting requirements related to training.

Our review of incident reports and monthly meeting summaries revealed the frequency and variety of health and safety issues that can arise at the transfer stations. This is why training is so important to ensure worker and public safety. Exhibit 7 contains a listing of some of the incidents in 2022 that appeared to be related to the topics covered in required trainings.

Exhibit 7 Incidents related to the topics covered in required trainings reveal risks to workers and the public

Date	Details
3/23/2022	Grenade found in bag on bay 2 tipping floor
4/3/2022	Customer slipped
4/4/2022	Truck with fire in hopper routed to Central
4/8/2022	Employee hit head with customer rear window
4/14/2022	Drum of toxic/corrosive aerosol spilled
5/19/2022	Pressurized cylinder caused fire in pit
5/19/2022	Worker lost control of forklift causing oil paint spill
6/10/2022	Loose sharps found in load
6/18/2022	Fire broke out in pile staged in bay 3
6/20/2022	Employee swinging spike hammer to open containers
6/21/2022	Spotter noticed suspected asbestos dumped in bay 1
7/2/2022	Binary explosive
7/12/2022	Customer given okay to bring in cannon ball relic
7/14/2022	Customer broke arm unloading vehicle in bay 2
7/14/2022	Asbestos bags accepted in public bay 1
8/3/2022	Can crusher failed and was not locked out for safety
8/15/2022	Trailer caught fire onsite near gravel lot
8/17/2022	Customer brought in radioactive uranium nitrate
8/24/2022	Lithium battery combusted causing fire
9/5/2022	Fire in transfer station building
9/6/2022	Evacuation due to sulfur dioxide leak on sort line
10/13/2022	Faulty acid spill neutralizer delayed response
10/13/2022	Evacuation due to unknown chemical vapors in bay 2
10/27/2022	Suspected blood on station floor
10/28/2022	Tear gas canister found on sort line
11/5/2022	Suspected asbestos found in parking lot
11/16/2022	Radiation detection equipment errors

Source: Auditor's Office review of incident reports that appeared to be related to topics addressed in required trainings

Incident data may not be complete or accurate

Two systems of reporting incidents were used during 2022. Reports were filed either electronically through the official incident report management system, or manually using a paper report form. During the audit we saw indications that incidents reported through the official system may not provide complete and accurate information. We received summary reports of incidents filed through the official system during 2022 for both transfer stations. The report showed a total of 144 incidents. After comparing these incidents to other sources of information, we found 60 additional incidents, or 29%, that were reported manually, outside the official incident report management system.

Metro requires employees to report incidents immediately after an event. This includes accidents, near misses, and property damage whether by employees or contractors. Prompt reporting and investigating of incidents helps to identify hazards so controls can be implemented to prevent a recurrence. Reporting could also help determine when changes to job functions are needed or retraining required.

There was one instance of an employee verbally reporting incidents at a monthly meeting for South that may not have been captured in a timely way. Both WPES employees and contractors were supposed to report through the incident system. Any gaps or delays in reported incidents could prevent effective risk management.

Incident reports may also be required to meet legal requirements. For example, we were told open flame fires were supposed to be reported to Oregon's Department of Environmental Quality. Meeting summaries showed that Metro had to remind the contractor at South about the reporting requirement on several occasions in 2022.

Few incidents were formally investigated

Initial incident responses can help address immediate risks by restricting access or containing and moving a hazard to a temporary staging area. However, an equally important aspect of incident reporting is that it can identify trends over time and help management prioritize actions to prevent serious incidents from reoccurring.

We heard there was insufficient data in the incident system to evaluate trends. Formal investigations were conducted on a discretionary basis. The written investigation policy provided for review was more than 5 years old and not reflective of current incident reporting practices.

In the absence of an updated policy, staff feedback was used as the basis to determine what should be done in response to specific incidents. We were told that if an incident report of something major was incomplete or clarification was needed, an after-action review (AAR) was done. AARs were supposed to document additional details of the incident as well as corrective actions that should be taken.

During 2022, there were a total of 204 reported incidents when information

from monthly meeting summaries and the official incident tracking system were combined. Only two of them resulted in an AAR.

Formalizing the AAR process within the WPES health and safety program would help to standardize follow-up responses to incident reporting. During the audit, we received a draft health and safety action plan which indicated WPES had begun work on formalizing its policy and procedures. It will be important to prioritize these efforts and put them into operation as soon as possible.

Health and safety goals were not prioritized in the most recent regional plan

We found health and safety goals were not prioritized in the most recent regional plan. In 2019, Metro adopted the 2030 Regional Waste Plan. The plan was intended to be used to guide regional policy and WPES' budget priorities.

In the previous version of the plan from 2008, language related to worker health and safety was clear and direct. Those objectives stated that WPES would:

- Place a high priority on worker health and safety.
- Reduce injuries by automating operations where effective.
- Implement health and safety plans that meet or exceed current minimum legal standards.

In the current plan, there was only one goal related to worker health and safety. An indicator used to measure success was the number of worker injuries. The most recent performance update from January 2023 stated that WPES was on track to meet this goal in 2020 and 2021, but no data was provided. Another part of the performance report stated that indicators to evaluate the goal was in progress.

After more than 30 years operating the two transfer stations, it is unclear why more time would be needed to evaluate performance on this goal. Workers' compensation and incident data, captured prior to the current incident reporting system, should have been available to evaluate performance. Strengthening health and safety priorities in the regional plan and conducting reliable performance assessments should be prioritized to ensure the transfer stations have adequate resources to operate safely.

Roles and responsibilities for contract management are undefined and inconsistent

Transfer station operations depend on contractors to provide services. The audit identified at least 15 contracts for various aspects of operations. We reviewed a sample of provisions from four of them to determine how oversight was managed. There was little documentation of roles and responsibilities, so we had to interview employees from several WPES divisions and FRS to understand who was involved.

Procurement services developed guidelines to help employees manage contracts effectively. The purpose was to evaluate risks even before the procurement process began. Employees were directed to proactively structure the solicitation, evaluations, and compliance monitoring activities appropriately to guard public resources.

Criteria was available to help employees determine what constituted high risk. Contracts that meet the criteria were expected to have a contract administration plan to manage them. Contract administration plans are supposed to be created by a multi-disciplinary team and be reviewed and approved by risk management.

The audit found WPES did not use tools consistently. Two contracts were not identified as high risk but had a contract administration plan. One contract that was not identified as high risk met the criteria for being high risk. Only two of the six contract administration plans had documented approvals as required. Some contracts that were identified as high risk and had a contract administration plan were not updated when significant changes were made in their scopes of work.

Insufficient risk assessment and contract administration planning increased the chance of WPES not getting what it paid for or paying more than it should have. Our review of a sample of contract provisions in four contracts indicated contractors were not in compliance with some contract requirements. When employees became aware of performance issues, they did not use all the available tools to hold contractors accountable.

There was no monitoring for compliance with procurement guidelines either by Procurement Services in FRS or by senior management in WPES. The contracts we reviewed that were most closely aligned with the procurement guidelines were over 10 years old, but their contract administration plans had not been updated when major changes to the scopes of work occurred. We also learned of some additional agreements in the form of Memorandums of Understanding (MOU) that WPES employees had reached with external parties. These examples raised questions about who had authority to sign agreements on Metro's behalf.

Exhibit 8 Risk management processes were inconsistent in four sampled contracts

Purpose	Contract Value*	Duration	Risk Identified	Risk Mgt. Plan Date
Central Operations^	\$79 million	2010-2023	Renewal	2010
South Operations	\$57 million	2020-2024	None	Undated
Diesel Fuel^	\$25 million	2020-2024	Financial	Undated
HHW Disposal	\$3 million	2022-2029	None	N/A

Source: Auditor's Office analysis of files as of February 2023

**Includes amendments as of February 2023*

^Separate memorandum of understanding in place related to the contracted services

The South contract administration plan was the only one that included a breakdown of responsibilities for specific contract requirements. The other two plans in our sample described compliance monitoring activities in general terms and assigned them either to the onsite transfer station manager or employees involved in processing payments.

Through interviews, we learned that there were generally three roles related to transfer station operating contracts.

- Employees who work at South and Central manage **day-to-day operations**. These employees are part of the Garbage and Recycling division in WPES.
- Other employees **reconcile invoices and initiate payments** for services. These employees were part of the Policy and Compliance division of WPES or were embedded FRS employees.
- Contract managers created the administrative plans and served as **liaisons between on the ground personnel and those who process payments**. These employees were part of a group of planning employees in the Asset and Environmental Stewardship division of WPES.

Each of these roles would benefit from additional documentation and checklists to know what is expected. There were detailed requirements in each contract and limited resources, so having clarity about the frequency and amount of time that should be spent monitoring each provision is essential.

Onsite personnel, led by each station's superintendent, rely on subject matter specialists (i.e., maintenance, environmental compliance) to ensure contractors are providing services as expected. Checklists and documentation for these roles were underdeveloped. Effective risk management requires good communication and standardized monitoring practices to maximize efficiency. Superintendents also manage WPES personnel who are also providing services and review some payment documentation each month.

Employees involved in payment processes used some standard templates and checklists. These appeared to improve the effectiveness and efficiency of reconciliations and approvals. We learned that some of these processes were initiated by contract managers, and some were created by the employees themselves. Since these employees report to different managers, it was not clear who had the authority and responsibility to approve business practices.

The contract manager role was the most undefined among the contracts we reviewed. In some cases, the contract manager was only involved in procurement. In others they worked on procurement, monitoring and business practice development.

We could not determine the specific cause of each variation in the contract manager role. It appeared to be based on employee availability and past work experience rather than documented roles and responsibilities. One employee was the contract manager for three of the four contracts we reviewed. The other contract manager role appeared to be shared between a variable-hour employee who worked on procurement issues, and the Central superintendent who was the primary contact with the contractor for their services at both transfer stations.

One of the benefits of having clear roles and responsibilities is that it helps employees know when they have authority to make decisions directly and when they need to get approval. Ensuring clear lines of communication is critical to avoid surprises. Below are some examples of decisions that could have a large effect, but were not clearly assigned to anyone:

- In response to two potentially racially motivated events at Metro South, WPES leadership agreed to pay for additional security at each station. The cost was about \$18,000 per month in our sample. It was unclear who had the authority to determine if these additional payments were still needed or if the operating contract should be amended.
- Metro leadership approved additional fire safety equipment for South, but the contract states that fire suppression equipment is the responsibility of the contractor. WPES paid about \$300,000 to install the equipment as well as ongoing monthly service fee (\$3,775) to operate it. Additional systems were being considered for Central and other parts of South during the audit. It was unclear who has the authority to make these decisions or if the operating contract should be amended.
- Test results and regulatory communications were not included in meeting summaries with the contractor in 2022. This information is required in the operating contracts. Metro and the contractors discussed these topics, but documentation was not included. Lack of regular reporting could limit who has access to test results and communication about compliance with permits.
- Scheduled maintenance work at each transfer station was not always timely. We were told there were regular meetings to discuss maintenance, but we also saw indications of reoccurring maintenance issues with some of the most important pieces of equipment (i.e., compactors) and at least one large maintenance expense (\$246,620) that indicated at least one major system, the waste filtration system at Central, was not functioning as expected. It was not clear who was responsible for ensuring maintenance efforts were sufficient and cost-effective.

Diesel fuel and household hazardous waste contracts need more oversight

Significant compliance issues with WPES' contracts for diesel fuel and primary HHW contracts were identified during the audit. Both contracts are critical to transfer station operations, but oversight was insufficient. This led to overpayments to the fuel contractor, and non-compliance with HHW reporting requirements.

WPES's oversight processes were mostly based on the dollar value of contracts rather than a more comprehensive understanding of all operational risks. For example, the HHW contract was not considered a major contract compared to other contracts for transfer station operations and it was not designated as high risk. However, it met the criteria for being high risk based on its annual expenditures being greater than \$225,000 per year and may also have met other criteria for environmental and operational risks.

Other causes included unclear roles and responsibilities for oversight. Long-term relationships with contractors had become informal with little

Informal management of fuel contract led to overpayments

verification or follow-up on some contract requirements. Weak change management processes to address personnel and contract changes also appeared to be an underlying cause.

Weak oversight of the diesel fuel contract led to at least \$125,000 in overpayments and additional costs to investigate and resolve the contract dispute. When it was signed, the contract was considered high risk and a contract administration plan was created. It was considered high risk because it was expected to cost more than \$250,000 per year and had the potential for fluctuations in unit pricing. The contract administration plan did not list any criteria, specific steps, or timelines to monitor contract compliance other than paying bills.

After the contract was in place, WPES presented an option to Metro Council to use a more environmentally friendly fuel type (R99) rather than the type specified in the contract (B5). In response, WPES created a separate MOU with another company to supply R99 to the primary contractor. The primary contractor was not bound by the MOU.

This resulted in WPES having two agreements for diesel fuel, but only one of them was a financial commitment. The other agreement did not require the primary contractor to use the fuel provided by the firm in the MOU. We were told the MOU was created to ensure sufficient supply of R99.

The contract administration plan was not updated when these changes were made. We were unable to find evidence that fuel invoices and bills of lading had ever been audited. No fuel samples were taken for almost two years until a concern was raised by an external party.

WPES tested a fuel sample from one truck that indicated the fuel was B5 not R99. It also notified the diesel fuel provider of the test result. Subsequent fuel samples indicated R99 was being supplied. Invoices paid by WPES all listed the fuel type as B5 even though payments were based on the rate for R99.

Our evaluation of contract requirements showed WPES had not inspected the fueling station since 2019, which was after a new contract with the same provider was awarded. That appeared to contradict procurement rules, which require documentation of the contractor's ability to meet requirements before signing a contract.

Had the fueling station been inspected as required, it would have been clear that the tanks were not set up to separate R99 from B5. That made it impossible to tell what quantity of each fuel type is being provided. It also made it very difficult to test the fuel type because B5 and R99 are mixed in the tanks.

Another fuel contract has been used while the contract dispute was being investigated. There have been challenges to determine the appropriate rate for R99 in the new contract. Employees have been working with the contractor since at least November 2022 to resolve the issue, but it had not been settled as of May 2023.

Shared responsibilities to manage the HHW contract led to non-compliance

The primary contractor for HHW transport and disposal did not provide required documentation for the materials it collected. It also did not provide documentation of insurance coverage for a little over three years from 6/1/2019 to 6/28/2022. This gap increased financial risk to Metro. Lack of documentation for the materials collected meant that WPES does not have assurance that the materials were managed and disposed of as required.

These issues resulted from shared responsibilities for contract management between onsite personnel at each transfer station and the contract manager. HHW employees worked directly with the contractor to prepare material for transport and manage shipping manifests. The Central Superintendent worked with the contractor to ensure the materials collected were aligned with the disposal plan and cost schedule. Another employee was identified as the contract manager but only worked on procuring the contract.

This distribution of responsibilities made it difficult to know who had the authority and responsibility to track and follow-up on missing documentation. It also resulted in the need for two short-term contract extensions when the procurement process was not completed before the contract expired. As a result, WPES had no other option to continue operations, which reduced Metro's bargaining power for several months and likely resulted in higher costs.

Payment structure for the South operating contract is complex

The complexity of the South operating contract shows how critical it is to document roles and responsibilities for contract management. The contract is over 650 pages long and has a complex payment structure which increases financial risks. The operator is reimbursed for equipment and maintenance costs. Reconciling these payments requires tracking 71 pieces of equipment including their depreciation schedules and maintenance work, which can fluctuate from month-to-month.

Metro and the contractor split revenue for the commodities recovered for reuse and recycling at the transfer station. Reconciliation of these payments requires tracking the quantity, and value, of 37 different types of materials. Each material can result in revenue to WPES and the contractor if there is a market for it. Each material could also be a cost if the commodity cannot be resold.

For example, ferrous metal was the most valuable commodity recovered in the sample payments we reviewed. It was worth about \$51,000 per month, which was split equally between Metro and the contractor. In contrast, residential organic material (i.e., yard debris mixed with food waste) was the most costly material. WPES paid the contractor about \$150,000 per month to process it in addition to the fixed per ton payments (about \$57,000 per month) for the same material to be reloaded into larger shipments.

There are other payments in the contract that need to be reconciled to ensure accuracy. Payments for workers and their wages appear to be as complex as the material recovery payments but were not part of the scope of

this audit. A 2013 audit found the contractor had not provided the amount of labor required. At that time Metro management stated that they preferred to give contractors flexibility to manage staffing levels rather than require compliance with the staffing levels in the contract.

There are also fixed payments for each ton of material received at the transfer station. The contract also includes performance incentives or penalties for clearing bay floors and managing the volume of material in the compactor pit. Each of these payments requires employees to review documentation to ensure WPES got what it paid for.

A detailed contract administration plan was created for the contract, but we did not see any evidence that it was used to manage the contract. At least one person was unaware that they were assigned to a task in the contract administration plan. Employees involved in payment reconciliation stated that the South contract requires much more of their time compared to Central.

During the audit, WPES was negotiating a new operating contract for Central. We were told the contract was likely to be structured like the South contract. If this is the case, WPES may need to allocate additional resources for contract management. There may also be higher monthly costs in the new contract. In our sample, monthly payments for South averaged \$780,000 per month and did not include work done by WPES personnel for traffic management. Payments to operate Central averaged \$758,000 per month and included traffic management.

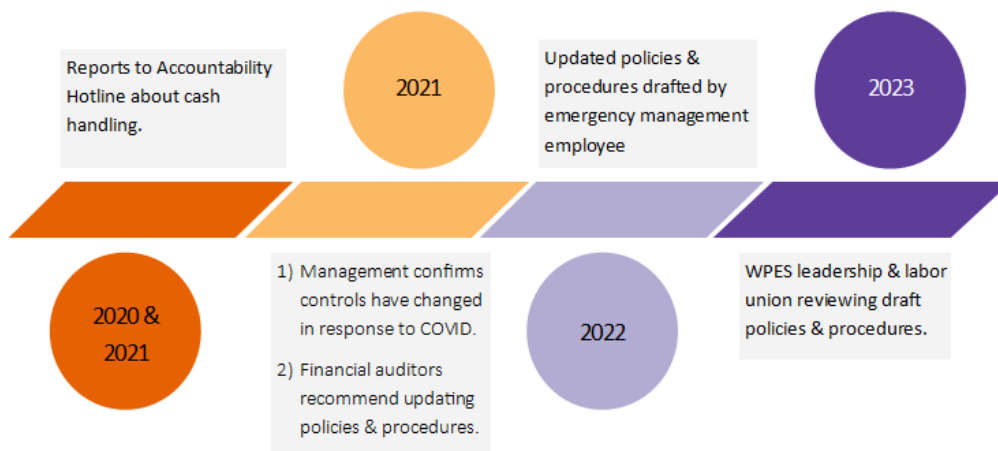
Stronger oversight of transactions needed

There were other examples that showed unclear roles and responsibilities were not limited to contract management. Concerns about cash controls at the scale houses were reported to the Accountability Hotline in 2020 and 2021. Specific allegations of misconduct were investigated by HR, but inconsistent practices between transfer stations indicated the need for updated policies and procedures.

During COVID, some cash controls like random cash audits and segregation of duties among supervisors and employees were altered to limit in-person interactions or respond to staffing shortages. These changes increased the risk of fraud, waste, or abuse.

Metro's financial auditing firm conducted a review of transaction management in 2021 that recommended updated policies and procedures for employees who use the point-of-sale system. A draft of the updated policies and procedures for transaction management was created in November 2022. Sections of it were rewritten in April 2023. We were told it was still under review in May 2023, which was nearly two years after management received the recommendations from the financial auditors.

Exhibit 9 Timeline of creating new policies and procedures for transaction management



Source: Auditor's Office analysis of reports to the Accountability Hotline. Investigation documents reviewed during this audit.

The draft policies and procedures we reviewed did not include information about overall oversight and compliance monitoring. It only included a description of onsite personnel. This raised questions about who had responsibility to ensure policies and procedures are followed consistently at each transfer station.

Sampled transactions showed it may take significantly more work to reconcile transactions at South compared to Central, which appears to create an imbalance in workload between employees in the same position. South had 69% more transactions per day on average. Cash and credit card transactions at South were double what they were at Central. South also had twice as many no-charge transactions compared to Central. No-charge transactions are for household hazardous waste customers or loads that only contain recycled material. In our sample, voided transactions at South (59) were also more numerous than Central (10).

Exhibit 10 Metro South processed significantly more transactions per day than Metro Central in our sample

Type	Average per day			
	Transactions		Amounts	
	Central	South	Central	South
Credit Card	277	548	\$16,990	\$37,462
Charge Account	152	121	\$65,733	\$51,941
Cash	29	66	\$1,592	\$4,203
Check	1	2	\$159	\$194
No Charge*	80	174	\$0	\$0
Total	540	910	\$84,473	\$93,801

Source: Auditor's Office analysis of sampled transactions (2/22/22; 4/4/22; 6/23/22; 7/30/22, 9/4/22; & 12/16/22) at Metro Central and South.

*Household hazardous waste customers or loads with only recycled materials.

Prior to COVID, random cash audits were completed by WPES personnel. They were stopped in 2020 and resumed in 2021. When restarted, they stopped being random so onsite employees may be aware of when they will occur.

During the audit there were discussions underway between WPES and FRS about roles and responsibilities for transaction oversight. FRS was asked to participate in cash audits but declined. In one instance a discrepancy during the daily cash count was reported to a manager in FRS. The concern was addressed, but the process indicated lack of clarity about roles and responsibilities. The draft policies and procedures we reviewed did not include any roles assigned to the manager in FRS.

Documentation for some contracts was incomplete

Unfulfilled roles and responsibilities impacted the completeness of contract documentation. Content Manager is Metro's official document management system. Files in the system are supposed to contain the official records to show procurement laws, administrative rules, and policies and procedures were followed for each contract. Procurement Services in FRS was supposed to ensure contract documentation was complete.

Review of solid waste contracts showed incomplete documentation was available for several contracts. There were examples of contract related documents not being available in Content Manager, but employees had them in their own files. There was at least one example where missing documentation for one of the contract provisions in our sample could not be found at all. Documentation of the contractor solicitation and evaluation process for WPES' \$115 million solid waste hauling contract was not in Content Manager. That contract was not part of our sample, but it would be a significant gap if the documents were not retained somewhere else.

Some of the gaps in documentation may have had several interrelated causes. Prior to COVID, Metro committed to centralizing procurement activities to increase consistency across the agency. When employees began working remotely during the pandemic, processes that had been paper based were transitioned to electronic workflows that used the accounting system and email for review and approval.

We were told budget reductions and staff shortages had created a backlog in Procurement Services for managing documentation and making sure it was in Content Manager. We also learned that online training for employees involved in procurement had stopped and only in person training was currently available. Metro's internal website for procurement states that procurement processes are under review.

Regardless of the cause, documentation for contracts is a key control for legal compliance, adherence to administrative rules, effective contract management, transparency, and accountability. Extensive guidelines and administrative rules to document procurement processes and ongoing contract management are available on Metro's internal website.

A long-term vision is needed to stabilize operations

Transfer station operations are at a pivotal moment. South has been operating for 40 years and Central for 33 years. The same point of sale system has been used for over 35 years. Several long-serving employees have retired in recent years.

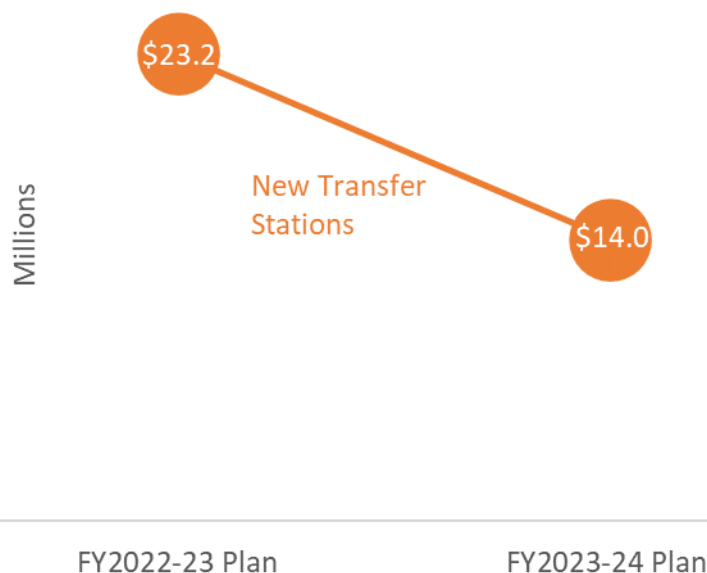
At the same time, both transfer stations face uncertainty about their long-term operations. During the audit, several ideas about Metro's role in the solid waste system were being discussed. These included not operating any transfer stations, building additional transfer stations, and changing the types of services offered at existing transfer stations. Each of these ideas would be a significant change for the regional solid waste system and could have a substantial impact on WPES' costs, personnel, and public services.

Regardless of what decisions are made, a long-term plan is needed to stabilize operations. This audit identified significant risks in the current operating environment, which require immediate attention. In several areas, current operating risks are exacerbated by lack of clarity about what will happen next. This makes it difficult for employees and management to make best use of available resources. Without additional clarity, it is more likely that resources will be used for efforts that may be at cross-purposes. Once Metro commits to its long-term vision, it will take time and strategic thinking to successfully manage change.

Some employees expected WPES to eventually operate both Central and South entirely in the future. We also learned of potential plans to change the services offered at South and Central's role in managing commercial food waste.

The lack of clarity is evident in WPES' capital improvement plans. Plans for a new Metro West facility and a replacement of South changed significantly between budgets. Last year's budget included \$23.2 million for these projects. This year's budget only included \$14 million. Based on last year's plan, both new facilities would have been under construction in FY2026-27. Currently, only one facility is expected to be under construction by FY2027-28.

Exhibit 11 WPES' plans for new transfer stations changed significantly in the last year



Source: Auditor's Office analysis of capital improvement plans for FY2022-23 and FY2023-24

In response to these challenges, WPES began work on a Garbage and Recycling System Plan that is anticipated to summarize options for additional investments in the regional solid waste system including Metro's facilities. Progress on the plan has been delayed several times. It was initially proposed to be completed in FY2021-22. The workplan presented to Council in March 2022 said it would be complete by summer 2023. The most recent update stated it would be done in spring 2024, but only two of the five phases of the project were complete as of May 2023.

Other analyses have been done recently to assess the physical condition of Central and South but have not been finalized. These reports indicated potentially \$5 million in unfunded maintenance. The draft facility assessment estimates showed about \$19.5 million may be needed to maintain South and Central combined through 2027. WPES' capital improvement plan through FY2027-28 includes about \$14.4 million to maintain the two transfer stations.

Central is considering public operations and an expanded role in processing food waste

There were at least two potentially significant changes to Central operations identified in the audit. One was related to who operates the facility. The other was potential operational changes related to commercial food waste.

When the operating contract for Central was set to expire at the end of 2023, WPES began a planning process to take over operations rather than use contractors. That plan was put on hold in early 2022 and a new contract was being negotiated during the audit. WPES purchased two pieces of equipment in anticipation of taking over operations.

Another significant change that was in process at Central was purchasing equipment and partnering with City of Portland's Bureau of Environmental Services to use commercial food waste to generate energy. Metro mandated that businesses separate food waste beginning in 2023 and anticipated additional food waste processing capacity could be needed as a result.

The status of the partnership with Portland was unclear during the audit. WPES personnel signed a MOU, but Metro leadership stated that the original commitments in the agreement had changed. It appeared the plan was for Central to purchase a machine (i.e., de-packer) to improve efficiency, but not move forward with storing the material onsite and transporting it to the energy generation plant.

South needs to be replaced

A June 2021 report presented the business case for replacing South. It summarized the history of the facility, previous analysis of its operating lifespan, and current challenges. Around that time negotiations were underway to purchase land where a new South transfer station could be built. In December 2021, Metro decided not to move forward with the land purchase. That decision meant that South is expected to continue operating at its current location for a minimum of 10 years.

Not purchasing the land has led to uncertainty about how Metro plans to maintain operations on such a challenging site. The challenges documented in the June 2021 report included:

- Unsafe and unwelcoming conditions for self-haul customers
- No space to accept and process food waste
- Insufficient space to accept and sort recyclable materials
- No space to recover materials for reuse, repair, resale
- Major site reconfiguration is impractical and expensive
- High risk for vehicle accidents on the site
- Customers in close proximity to heavy equipment and open garbage pit
- Flooding, earthquake, landslide, and other natural disaster risks
- Compatibility with other land uses
- Aging infrastructure
- Stormwater management risk
- Long wait times for customers
- Difficult maneuvering for customers
- Compliance with asbestos regulations
- Customer confusion with facility layout
- Inefficiencies in handling and sorting materials for staff
- Limited space for storage creates conflict of uses
- Multiple, small buildings (not originally built for transfer station customer use) create inefficiencies
- Limited site access and circulation

During the audit there were multiple incidents that showed the risks identified in the report were not hypothetical. The fire department had to

respond to fires on several occasions. One of which was reported to have caused almost \$200,000 in damage. The facility was closed because of a toxic gas leak. The truck wash station was closed because radioactive material was stored there.

In addition, there were other examples of environmental, health and safety, and financial risks associated with South.

- The area where the most hazardous material is stored is located at the lowest point of the site and flooded in 1996.
- Additional staff had to be onsite to manage traffic to ensure safe operations.
- There were high readings of methane gas on a neighboring property in 2022 which could increase the risk of explosion and increased the cost of projects at South to mitigate for it.
- A new residential housing development was proposed for a neighboring property which could increase traffic near the site and increase the number of people living near the facility.

Some of these challenges have been documented in previous studies going back to 2001. That year a consultant completed a master plan that estimated South would reach its operating capacity between 2011 and 2016. A 2008 master plan update concluded it had reached its maximum capacity due to increased vehicle traffic. Additional studies completed in 2009, 2012, and 2016 focused on the services offered at South. The goal was to try to bridge the gaps between the customer volume, services offered, and site constraints.

After Metro decided not to move forward with purchasing land to rebuild South, it established an interim solutions team. In May 2022, the team identified 12 projects to stabilize operations while a longer-term plan was being developed. Personnel involved in day-to-day operations noted some improvement as a result of one of these projects, but they did not appear to have led to significant improvements yet.

The point-of-sale system needs to be updated

The point-of-sale system used at the transfer station needs to be updated. The system is critical to day-to-day operations, and WPES' payments to contractors. Weaknesses in the system have been documented by Metro's ITRM department and financial auditors.

During the audit we analyzed a sample of transactions from both transfers stations for six dates in 2022. The samples showed the system was used to process over 1,000 transactions and between \$55,000 - \$297,000 per day.

In April 2019, ITRM assessed the system and documented risks in a report. Five of the 10 risks identified were rated as high or unacceptable. The other five were rated as low or medium in significance. Many of the significant risks were related to system knowledge and ongoing support for the system in the future. Since that time, the WPES employee with the most knowledge

and experience with the system retired, and the software developer indicated he may not support the system in the future.

Exhibit 12 An April 2019 assessment documented significant risks in the point-of-sale system in five of 10 categories analyzed

Short Description	Risk Assessment
Risk and impact of losing Metro subject matter expert	Unacceptable
Level of support during critical needs and planned requests	Unacceptable
Implications of the software company going out of business, being sold, or the primary owner retires	Very High
Impact of how system is configured, documented, and updated	Unacceptable
Ability to maintain functionality using new hardware or software	Unacceptable
Possibility of a break in the data flows to other systems	Medium
General software upgrades/updates	Medium
Procurement card industry (PCI) breach or change in requirements	Medium, but bordering on unacceptable
Hardware/software failure	Low
Risk from upgrading or not upgrading	Medium
Ability of Metro staff to support the system	Medium

Source: Auditor's Office summary of "Metro Transfer Station Software Environment: Observations, Opportunities and Risk Analysis with Potential Mitigations," April 2019

After the evaluation was complete, a request for proposal process began to determine if there were suitable alternatives for the system. When COVID began in March 2020, the initiative stopped. In November 2020, concerns about potential fraud were reported to the Accountability Hotline. Metro's financial auditors reviewed the system in early 2021. Their July 2021 report documented similar risks as the previous report.

During this audit, several employees shared stories about how fragile the system is to maintain. One employee stated that they had to wake up in the middle of the night to reset the system. Others noted that outdated technology could reduce the efficiency of the automated scale. When Metro Council increased the tonnage level for the minimum fee in the summer of 2022, employees had to work overnight to implement the change, but it was not successful. A retired employee had to be brought in to make the new rate calculation work correctly.

Successful change management requires leadership

In 2022, a request for proposals was unsuccessful. Another procurement process was started by ITRM in early 2023. Three respondents were selected for further testing. Based on the current project timeline, ITRM expects to select a finalist in September 2023. If that timeline holds, the next step would be to plan how to implement a new system without disrupting operations that run for 362 days each year at two different sites.

The information in this report shows how disruptive change can be. Some changes like COVID are out of Metro's control and require flexibility to respond. Other changes can be seen in advance and require proactive planning to manage them. Even when proactive planning occurs, the process of implementing changes is the primary driver of success.

Changing conditions often prompt new risks, or changes to existing risks, that need to be assessed. Change management is the process of guiding organizational change to fruition; from the earliest stages of conception and preparation, through implementation and, finally, to resolution. An effective management strategy is crucial to ensure organizations successfully transition and adapt to change.

Exhibit 13 Change management involves five critical steps



Source: Auditor's Office summary of Harvard Business Review's "5 Critical Steps in the Change Management Process," 2020

Metro is a planning agency and there have been many plans developed to guide WPES operations over the years. However, these plans seem to lose their effectiveness because of underdeveloped processes to commit to a vision, sustain implementation through organizational culture and practices, and meaningfully review progress and results.

Some of the causes identified in the audit were:

- Lack of succession planning and knowledge transfer.
- Undefined and inconsistent management roles and practices for oversight, monitoring and corrective actions.
- Involving too many stakeholders without clear decision-making authority and responsibility for outcomes.
- Lack of clarity about on the ground operations among decision-makers.
- Ineffective communication up and down the management hierarchy.
- Reliance on individual employees to make things work rather than a coordinated system.
- A tendency to try to replicate current business processes rather than address the root causes that would increase efficiency and effectiveness.

These observations are similar to the conclusions from WPES' December 2019 organizational assessment. The department has been reorganized a few times since then to address structural challenges. Successful change management will require efforts across Metro to commit to a plan and strategy to stabilize operations and set the course for WPES's role in the solid waste system for the future. Further delays in reaching agreement internally put a critical part of Metro's public services at risk of failure.

Data can provide a valuable lens to learn and respond to changing conditions. The audit identified several data sources to help managers monitor and analyze operations, but they did not appear to be used consistently.

- For the health and safety program, data related to onsite incidents and workers' compensation claims can provide early warnings about potential issues when they are analyzed and communicated proactively.
- For contract management, analyzing costs and developing checklists to help employees monitor compliance can help identify longer-term trends that may not be evident when processing monthly payments or dealing with the issue of the day.
- For transactions, point-of-sale data can help understand variation between transfer stations and associated risks. It can also provide a snapshot of what happened on a given day and compare it to long-term averages to help identify indications of waste, fraud, or abuse.

Similar weaknesses have been identified previously

Previous audits identified similar weaknesses to the findings in this audit. Good management practices state that management (WPES), with oversight from the oversight body (Metro Council and executive leadership), should take corrective action as necessary to ensure accountability in the organization.

Exhibit 14 Previous audits have made recommendations to address similar risks

Both recommendations were in process		Status
2013 Audit Recommendations		In process
1. Strengthen the design and management of department safety programs.		In process
2. Regularly review and analyze incident reports and workers' compensation claims data to identify potential safety concerns.		
a. Work with departments to identify safety issues using this analysis.		
b. Once a safety issue is identified, work with departments to develop strategies to improve safety.		

Table 2 Contracting Weaknesses Disclosed in Prior Audits	
Audit	Contracting problems identified
Performance Audit Report, Metro's Contracting Process March 1993	Limited performance standards and no formal practices or requirements for monitoring contractor performance.
Purchasing Benchmarks and Opportunities May 1999	Essentially no monitoring of service contractors
Parking Revenue: Better Controls Are Needed September 1999	No monitoring or evaluating parking contractor, and poor controls over parking revenues
Portland Oregon Visitor's Association Contract September 2000	No objective basis for evaluating the contractor's performance

Recommendation	Status
Define and document the authority, roles and responsibilities of the various organizational units and positions involved in contracting activities, including the Contract Office, departments, and project manager.	Not clear
Enhance the role of the Contract Office by providing it with the resources, authority and responsibility for oversight, quality control and support activities.	Procurement have authorized quality control
Improve contract oversight by conducting formal risk assessments to identify contracts requiring close monitoring and audits.	Metro currently has no particular focus on the risk of contracts
Establish a management reporting system geared toward providing oversight information to top management and departmental directors.	A monthly contract management information report
Designate a formal contract coordinator in each department responsible for assuring that contracts are properly planned and monitored separate from the project manager and with the authority to counsel and direct project managers in developing contracts and evaluating contractor performance.	Was implemented and changed.
Provide better support to project managers and other contracting personnel by developing procedures, guidelines and training in monitoring and evaluating contractor performance...and conducting risk assessments.	Procedures and guidance exist for procurement process but not for monitoring performance or conducting risk assessments.

Standard Practice	
Procedures are clear: Policies and procedures for administering contracts are clear and accessible to staff.	Metro required administration plans for some high risk contracts. More specific guidance for plans would be helpful.
Responsibility and authority assigned: Roles and responsibilities of staff who manage contracts are well-defined.	Responsibility assigned in administration plans, but some staff not performing roles.
Documentation occurs: Staff perform and document monitoring. Reports have sufficient detail to support monitoring.	Program documented monitoring; however, in some cases, program lacked data/analytics for adequate monitoring.
Action is taken: Staff follow process to address problems.	Program did not consistently document violations of staffing requirement, lessening the ability to take action.

Source: Excerpts from previous audits by the Office of the Metro Auditor related to risk and contract management published in 2000, 2008, 2011, and 2018.

When corrective actions are not addressed, or not sustained, it increases the chance of repeating the same mistakes.

- Previous health and safety audit recommendations in 2006, 2013 and 2018 focused on the need for adequate training, clear roles and responsibilities, and data analysis to identify and mitigate risks.
- Previous contract management audits show long-term (1993, 1999, 2000, 2008, and 2011) and persistent weaknesses in processes to ensure Metro gets what it paid for from contractors.

Recommendations

To strengthen internal controls for transfer station operations, the WPES Director, Deputy Director and division managers should:

1. Formally assign oversight responsibility for the following:
 - a. WPES' health and safety program
 - b. Contract risk management policies and procedures
 - c. Transaction management policies and procedures
 - d. Point-of-sale system controls
2. Document policies and procedures including checklists for each role and update them when operations change.
3. Train employees on policies and procedures.
4. Establish annual policy and program reviews.
5. Redefine the Asset and Environmental Services division's system planners as business analysts with responsibility for monitoring:
 - a. contract administration,
 - b. operational trends, and
 - c. strategic planning for operational changes.
6. Develop a formal quarterly management report that includes standard data and analysis of operations.
7. Distribute the report among stakeholders throughout the chain of command (oversight, management, employees) and hold quarterly meetings to discuss and manage challenges.

To strengthen contract risk management practices for transfer station operations, WPES should:

8. Assess all transfer station related contracts against FRS' contract risk criteria.
9. Designate the HHW transport and disposal contract as a high risk contract to increase oversight.
10. Update contract administration plans at least annually for each high-risk contract.
11. Develop checklists and other guidance for each contract administration plan.
12. Train employees who are assigned roles in the contract administration plans.

To ensure contract risk management processes are followed, the CFO and WPES Director should:

13. Meet regularly to monitor compliance with policies and procedures and initiate any corrective actions that may be needed.

To align Metro's procurement processes with Oregon law and Metro's Administrative Rules, Procurement Services should:

14. Finalize policies, procedures and guidance to ensure complete documentation of contract files are available in Content Manager.

To reduce gaps and overlaps in WPES internal controls, the COO, WPES Director and Deputy Director should:

15. Complete the garbage and recycling systems plan as soon as possible.
16. Develop a plan to prepare Metro to implement new or changed operations resulting from the plan.
17. Finalize the facility condition assessments for Metro South and Metro Central.
18. Update the WPES capital improvement plan based on finalized condition assessments.
19. Continue to evaluate the costs and benefits of switching to entirely Metro run transfer station operations to inform future decision-making.
20. Assign responsibility for creating and managing a change management plan to implement the new point-of-sale system.

Scope and methodology

The purpose of our audit was to determine whether Metro had effective policies and procedures to manage transfer station operating risks. There were three objectives:

1. Determine if controls over health and safety at Central and South were sufficient to meet Metro guidelines and OSHA standards.
2. Determine if performance management controls were sufficient to ensure WPES received that for which it paid.
3. Determine if the point-of-sale system captured complete and accurate transaction information.

To develop our audit objectives, we reviewed laws, policies and procedures, and reports. We reviewed contract documents, previous audits, procurement guidance, historical solid waste plans, Council resolutions and meeting materials. We interviewed managers and employees and toured both transfer stations. We interviewed employees in the Office of the Metro Attorney and reviewed information related to ongoing investigations, as well as Accountability Hotline investigation summaries. We reviewed adopted budgets, organizational structure, and annual reports.

To complete our objectives, we reviewed contract provisions, transaction records, training records, and incident reports. We judgmentally sampled provisions from four contracts to determine how oversight was managed. We reviewed transaction records to test the accuracy of the existing point-of-sale system. In addition, we examined employee training records, incident response types and frequencies, and evaluated roles and responsibilities for contract management, employee training, and incident investigations.

The 2030 Regional Waste Plan was reviewed to understand priorities driving budget decisions. Best practices relating to elements of its health and safety program were also reviewed.

This audit was included in the FY 2022-23 audit schedule. 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.

Management response

Memo



Date: September 20, 2023
To: Brian Evans, Metro Auditor
From: Marissa Madrigal, Chief Operating Officer
Marta McGuire, Director of Waste Prevention and Environmental Services
Subject: Management Response to Transfer Station Operating Controls Audit

Auditor Evans:

Thank you for the opportunity to respond to the audit of Waste Prevention and Environmental Services (WPES) Transfer Station Operations Controls. We appreciate the time and attention spent evaluating our operations and developing recommendations. We wholeheartedly acknowledge the significant risks facing our transfer stations and applaud your focus on safety, responsible contract management and improving internal controls.

Most governments can go a long time without encountering the kinds of risks Metro manages each and every day at our transfer stations. The audit references a few of the more difficult scenarios we encounter such as receipt of radioactive material, explosives and other hazardous materials like asbestos. Metro takes the safety of our employees and our statutory responsibility to receive these materials seriously because our entire community is safer when these dangerous materials are quickly identified and disposed of properly. Nonetheless, your report identifies some critical deficiencies in training and contract oversight that my office, WPES, Finance and Regulatory Services (FRS), Information Technology (IT) and Human Resources (HR) are committed to addressing with urgency.

In acknowledging the risks inherent in our scope of responsibility, it is important to note that Metro's transfer stations have and continue to provide reliable services to the public. The COVID-19 pandemic presented significant challenges to Metro's garbage and recycling operations including staff illness and attrition, labor and supply shortages, and an inability to schedule in-person trainings and emergency response drills due to distancing requirements. Despite these challenges, Metro's garbage and recycling operations adapted systems and practices to provide uninterrupted service to commercial waste collectors and more public customers than ever before. In 2022, Metro handled over 450,000 individual transactions and, based on available survey data and qualitative information sent from customers, there was no change in historically positive customer satisfaction.

We also want to highlight the proactive measures WPES has taken through structural change. While the department underwent a reorganization in 2020 to align with the 2030 Regional Waste Plan adopted in 2019, operational impacts from the COVID-19 pandemic highlighted the need for

additional change. In the winter of 2021 and spring of 2022, WPES created a new department structure that will address many of the concerns that you raise in your report. Staffing for this new structure is almost complete.

As part of its new department structure, WPES established an Asset and Environmental Stewardship (AES) division to focus on the priority areas of facility maintenance, health and safety, environmental compliance and contract oversight. A safety specialist hired in 2022 works in this division and is in the process of developing a comprehensive safety program for all WPES facilities: transfer stations, Metro Paint, RID Patrol and St. Johns Landfill. The safety program includes a health and safety plan for each facility and a job hazard analysis for each position, which will inform any needed changes to the required training curriculum for each individual. WPES has signed a new safety training contract and is working to remedy training deficiencies experienced during the pandemic.

In addition, AES is playing a key role in procuring a replacement point-of-sale system for the transfer stations. That procurement is now in the final stages and AES (overseen by the Director's office) will lead implementation of a new system – including a comprehensive change management plan as recommended in the audit. Your recommendations reinforce Metro and WPES' commitment to continuous improvement in safety and contract management. In partnership with FRS, IT and the Office of the Metro Attorney (OMA), we are pleased to share the actions we have already taken to address the conditions you note, as well as the additional measures we will put in place to fully meet your recommendations. In the spirit of continuous improvement, we recognize that there is always work to do as best practices in each of these areas evolve.

Please find our responses to your audit recommendations below.

Strengthen internal controls for transfer station operations

Recommendation 1: Formally assign oversight responsibility for the following:

- a. WPES' health and safety program
- b. Contract risk management policies and procedures
- c. Transaction management policies and procedures
- d. Point-of-sale system controls

Response: Management agrees these are important areas for clarifying roles and responsibilities, and began work in three areas prior to the audit:

- Beginning in fall of 2022 and concluding in spring of 2023, WPES and FRS delineated and defined WPES risk and safety roles and responsibilities, as well as shared functions across the two departments.
- In early 2023, WPES established a cross-departmental work group with FRS and OMA representatives to more clearly define specific contract management roles and responsibilities under the current WPES organizational structure. This work group's meetings are ongoing.

- Transaction management (e.g., cash handling) procedures were finalized in June 2023.

Proposed Plan: Oversight responsibility for these areas will be as follows:

- WPES' health and safety program – AES Division Director
- Contract risk management policies and procedures – FRS Deputy Director
- Transaction management policies and procedures – WPES Garbage and Recycling Operations (GRO) Division Director
- Point-of-sale-system controls – WPES Deputy Director

The WPES Deputy Director will convene the AES and GRO Division Directors and FRS Deputy Director to clarify and document oversight responsibilities in the four areas listed above.

Timeline: Complete by November 30, 2023.

Recommendation 2. Document policies and procedures including checklists for each role and update them when operations change.

Response: Management agrees that it is important to clearly document policies and procedures and update them when operations change. In some situations, checklists are a useful tool for administering policies and procedures, but we do not agree that checklists are practical in all situations. For example, overall day-to-day oversight of transfer station operations is so varied that it does not lend itself to easy use of a daily checklist. Certain activities associated with day-to-day operations, such as site inspections and safety briefings, may benefit from the use of a checklist. Currently, WPES has detailed, step-by-step instructions that document how to reconcile invoices and how to obtain approval of invoices, and timelines comprising the due diligence needed to make the monthly major contract payments. These instructions, developed in 2021 and 2022, are not technically checklists, but continue to meet our needs.

As you note in your report, transaction management policies and procedures were under review in May 2023; we are pleased to report that those were completed in June 2023.

Proposed Plan: For health and safety, WPES will work with Metro's centralized Risk and Safety team in FRS (Risk) to complete operational SOPs and job hazard analyses. The responses to Recommendations 10 and 11 commit WPES to reviewing contract administration plans on an annual basis and adjusting as needed, including developing checklists, where they would be useful for contract administration.

Timeline: Metro will complete operational SOPs and job hazard analyses by June 30, 2024. WPES will complete safety inspection checklists for transfer stations and will complete its review of contract administration plans by June 30, 2024.

Recommendation 3. Train employees on policies and procedures.

Response: Management agrees that employees should be trained on all policies and procedures relevant to their work assignments. WPES employees are active participants on current committees to document such policies and procedures.

WPES provided 24-hour and 8-hour refresher trainings on Hazardous Waste Operations & Emergency Response (HAZWOPER) to HHW staff this summer, scheduled radiation awareness training for HHW staff and asbestos awareness training for Traffic and HHW staff and is in the process of scheduling OSHA 10 training for transfer station staff. OSHA 10 training includes walking and working surfaces, including fall protection; exit routes, emergency action plans, fire prevention plans and fire protection; electrical hazards; personal protective equipment; and hazard communication. Transfer station staff are scheduled for First Aid and CPR training this fall. WPES is working to establish annual onboarding and refresher health and safety training courses, which will be informed by the operational SOPs and job hazard analyses noted in the response to Recommendation 2. The WPES Safety Specialist will be certified as an OSHA 10 and 30 instructor to provide annual training for staff going forward, and will similarly be certified in First Aid and CPR training to provide biannual safety training for staff going forward. The WPES Safety Specialist will monitor health and safety training compliance through Metro Learning.

Proposed Plan: Health and safety training will be identified for each individual based on the operational SOPs and job hazard analyses currently in progress. Those trainings will be offered and tracked through Metro Learning and the WPES Safety specialist will partner with the Risk and the HR training and development team to identify and assign appropriate training, pulled from existing curriculum, to each employee. Further, WPES will develop guidance on what type of incidents will require after-action reviews (AARs), and how to best implement outcomes of AARs in health and safety documentation and training. WPES will establish twice yearly safety standdowns, during which operations are suspended, at each transfer station to provide safety training and complete hands-on drills.

For contract risk management training, please see response to Recommendation 12.

Point-of-sale systems controls training will be developed once a product is selected, and a training plan will be incorporated into the change management plan cited in the response to Recommendation 20.

To implement ongoing training on transaction management procedures and point-of-sale systems controls for existing staff, the WPES Deputy Director will assign the WPES Employee Development Program Manager to work with the GRO Division Director to explore the use of Metro Learning or another tool to initiate an annual training on policies and procedures, and to track completion of such training. New staff receive transaction management procedures training during onboarding.

Timeline: Safety standdowns will begin in Fall of 2024 and health and safety training will be completed by June 30, 2025. A plan for ongoing training on transaction management procedures and point-of-sale systems controls will be completed by June 30, 2024.

Recommendation 4. Establish annual policy and program reviews.

Response: Management agrees that periodic policy and program review is important and that WPES can improve its documentation of new procedures when operations change.

Proposed Plan:

Risk has already put processes in place to review and update all required Metro-wide safety policies on an annual basis and will similarly review each required Metro-wide safety program, update as needed, and post to the HR Policy MetroNet page when complete. WPES will establish twice yearly safety standdowns, during which operations are suspended at each transfer station to review operational and safety policies and procedures.

Regarding contract risk management policy review, please see our response to Recommendation 10.

Regarding transaction management and point-of-sale procedures, the WPES Deputy Director and GRO Division Director will develop a process for annual review.

Timeline: As part of the review process led by Risk, all policies cited in Exhibit 5 of the Auditor's report will be evaluated by June 30, 2024. Safety standdowns will begin in Fall of 2024. Annual review of management and point-of-sale procedures will begin in Fall of 2024.

Recommendation 5. Redefine the Asset and Environmental Stewardship division's system planners as business analysts with responsibility for monitoring:

- a. contract administration,
- b. operational trends, and
- c. strategic planning for operational changes.

Response: Management agrees that contract administration, operational trends and strategic planning for operational changes are important activities. Clarity around monitoring responsibility is also important.

Proposed Plan: WPES will assess staff capacity against department priorities to more clearly delineate roles and responsibilities related to monitoring contract administration, operational trends and strategic planning for operational change. Monitoring these activities is currently shared among work teams. A single point of responsibility for each will be defined and clearly assigned and communicated.

Timeline: WPES will clarify planner, analyst and management roles in monitoring contract administration, operational trends and strategic planning for operational change by June 30, 2024.

Recommendation 6. Develop a formal quarterly management report that includes standard data and analysis of operations.

Response: Management is already meeting this recommendation. WPES distributes a monthly operations performance report to a wide internal audience including WPES, FRS and OMA. The summary report illustrates data trends in tons, transactions, material recovery and costs. Real-time data on daily tonnage, material and customer counts that informs the reports for each transfer station is also available for view through a WPES dashboard. In addition to the monthly reports, WPES invites a wide internal audience to quarterly discussions of operational trends and anomalies. Separately, a WPES senior management analyst convenes management and staff from each site's operations teams along with the transfer, transport and disposal contractors

monthly to review performance, customer feedback, incidents, equipment maintenance and repairs, environmental and regulatory compliance, and to coordinate upcoming site activities. In addition, periodic safety-specific meetings are held for each operating site. As of August 2023, 44 safety meetings were held this calendar year.

Proposed Plan: No change. The monthly reports and quarterly and monthly meetings described above will continue indefinitely.

Timeline: The next two quarterly meetings are scheduled for November 1, 2023 and February 14, 2024, and monthly meetings will continue uninterrupted.

Recommendation 7. Distribute the report among stakeholders throughout the chain of command (oversight, management, employees) and hold quarterly meetings to discuss and manage challenges.

Response: Please see response to Recommendation 6.

Proposed Plan: No change.

Strengthen contract risk management practices for transfer station operations

Recommendation 8. Assess all transfer station-related contracts against FRS' contract risk criteria.

Response: Management agrees with this recommendation.

Proposed Plan: FRS staff will work with WPES staff to assess all transfer station-related contracts against the contract risk tool, which is scheduled to be updated this fiscal year. In addition, Procurement Services will modify the Procurement Request Form to ask the contracting department to identify risks, including those related to safety, environmental and overall policy compliance, in consultation with OMA and Risk. This form will continue to be used jointly with the other tools and resources available to contract managers to help identify and manage/mitigate risk. By implementing a revised risk section in the Procurement Request Form, OMA will be automatically notified of any identified risks. This adjusts Procurement Services' current intake processes which already includes risk identification in Step 4 of the Procurement Request Form. The current process is related to determining the proper insurance to cover the identified risk. Currently, high risk, non-standard and formally procured contracts are reviewed by the Office of Metro Attorney.

Timeline: Complete by June 30, 2024.

Recommendation 9. Designate the HHW transport and disposal contract as a high-risk contract to increase oversight.

Response: The new household hazardous waste (HHW) transport and disposal contract, which became effective on January 31, 2023, was treated as a high-risk contract from the beginning of the RFP planning process. The contract manager worked closely with OMA and Risk in developing the contract, RFP clauses and insurance requirements. While we agree that this contract is "high risk," we disagree that its formal designation as a "high risk" contract would have granted Metro

the ability or leverage to receive the certificates of disposal/certificates of treatment missing under the prior HHW transport and disposal contract. There is no regulatory requirement for hazardous waste transport and disposal contractors to provide certificates of disposal or certificates of treatment for the types of waste accepted by Metro HHW, i.e., *household* hazardous waste. But because these certificates are of significant interest to Metro and the public, OMA and WPES have successfully ensured that the current iteration of this contract subjects the contractor to liquidated damages for failure to provide timely certificates to Metro. This solution gives Metro leverage to ensure accountability and transparency, as well as a clear avenue for resolution before terminating the contract.

Important additional context is that because of the nature of the hazardous waste industry as a whole, transport of material can be delayed with multiple storage stops before end disposal – sometimes for up to two years. Metro requires documentation of these certificates from our contractor to help ensure Metro knows where its HHW is currently located or is finally disposed. In addition, the Metro Central Transfer Station Superintendent routinely requests certificates of disposal/certificates of treatment for both HHW facilities at each meeting with the contractor.

These meetings occur on a monthly basis at minimum but often occur weekly.

Proposed Plan: The new contract administration plan currently under development for the HHW transport and disposal contract will address areas of high risk by identifying GRO staff with oversight responsibility, setting clear expectations of those staff in documentation, checking invoices, checking certificates of disposal/certificates of treatment, following the Waste Disposal Plan and ensuring the vendor obtains prior approval from Metro for using facilities not approved within the Waste Disposal Plan.

Timeline: The contract administration plan for the HHW transport and collection contract will be finalized by December 31, 2023.

Recommendation 10. Update contract administration plans at least annually for each high-risk contract.

Response: Management agrees with this recommendation.

Proposed Plan: WPES will develop a schedule to review high-risk contracts on an annual basis and update contract administration plans as necessary.

Timeline: Complete plan reviews by June 30, 2024, and review at least annually.

Recommendation 11. Develop checklists and other guidance for each contract administration plan.

Response: Management agrees with this recommendation.

Proposed Plan: As mentioned in the response to Recommendation 10, WPES will develop a schedule to review the high-risk contract administration plans on an annual basis. The purpose of contract administration plans is to provide guidance to contract managers; where these plans require additional guidance, WPES will develop checklists as an added tool for contract administration.

Timeline: Contract reviews and development of additional checklists or guidance identified as part of that review will be completed by June 30, 2024.

Recommendation 12. Train employees who are assigned roles in the contract administration plans.

Response: Management agrees with this recommendation. WPES leadership also identified this training as a significant need and has been coordinating with other departments to develop contract management/administration guidance and training. OMA advised that contract management training requires a tailored approach for different types of contracts: construction, operational, service, real estate and on-call. In addition, levels of contract management responsibility vary in relation to the size of the contract. Contract management training should also address the roles of Procurement, OMA, contract administrators, department purchasing coordinators and specialized support for project managers, such as for construction contracts. Training would include how to develop a scope of work, track charges, expenditures and deliverables; understand legal language, contract administration controls and contract finances. WPES has identified a project manager to lead this work.

Proposed Plan: In partnership with FRS, HR and OMA, WPES will coordinate to develop a training plan for contract administration. Contract managers responsible for riskier contracts will be prioritized for immediate training.

Timeline: The plan will be complete by June 30, 2024.

Ensure contract risk management processes are followed

Recommendation 13. Meet regularly to monitor compliance with policies and procedures and initiate any corrective actions that may be needed.

Response: Management agrees with this recommendation. Management staff from FRS and WPES meet on a regular basis, and we will ensure those meetings include discussions to monitor compliance with policies and procedures and initiate any corrective actions that may be needed.

Proposed Plan: FRS and WPES will update standing meeting agendas to include this topic.

Timeline: Complete by November 30, 2023.

Align Metro's procurement processes with Oregon law and Metro's Administrative Rules

Recommendation 14. Finalize policies, procedures and guidance to ensure complete documentation of contract files are available in Content Manager.

Response: Management agrees with this recommendation. FRS' Procurement Services team has been aware of some inconsistency in properly filing contract documents in Content Manager. In response, Procurement Services hired a new Contract Specialist in March of 2023 who has implemented a document checklist of all procurement and contract-related files that need to be

filed in Content Manager for each contract.

Proposed Plan: Procurement Services is currently writing a new document filing procedure to ensure completeness and accuracy of all procurement and contract-related files.

Timeline: Complete by June 30, 2024.

Reduce gaps and overlaps in WPES internal controls

Recommendation 15. Complete the garbage and recycling systems plan as soon as possible.

Response: Management agrees with this recommendation.

Proposed Plan: The Garbage and Recycling System Facilities Plan will provide a long-range infrastructure plan and key investments needed to fulfill the Regional Waste Plan goals including improving access to reuse, recycling and garbage service. The plan is designed to provide options for Council to decide the future infrastructure investments. The plan development is structured across five phases and is currently in phase three of development.

Timeline: Complete in Spring of 2024.

Recommendation 16. Develop a plan to prepare Metro to implement new or changed operations resulting from the plan.

Response: Management agrees with this recommendation.

Proposed Plan: When the Systems Facility Plan is complete, WPES will prepare a plan or plans to guide any operational changes.

Timeline: WPES will propose a plan or plans by Spring of 2024, contingent on Metro Council direction.

Recommendation 17. Finalize the facility condition assessments for Metro South and Metro Central.

Response: Management agrees with this recommendation. WPES engaged a contractor to complete facility condition assessments in 2022. While the assessment project was in process the WPES Facilities Manager departed Metro for another position. The project was substantially complete but required subject matter expert review. WPES' new Facilities Manager started in July 2023 has worked with the contractor to finalize the condition assessments; the Facilities Manager has subsequently identified renewal and replacement projects using the assessment data, and those projects are included in WPES' capital improvement plan.

Proposed Plan: No changes, this recommendation is complete.

Recommendation 18. Update the WPES capital improvement plan based on finalized condition assessments.

Response: Management agrees with this recommendation.

Proposed Plan: WPES commissioned the facility condition assessments for the purpose of

informing the replacement and renewal amount needed in the capital improvement plan. WPES staff are currently working with Capital Asset Management department staff to evaluate the condition assessment documents and estimate full project costs. The capital improvement plan is under development as of September 2023 and the condition assessments will be fully incorporated during the next FY cycle.

Timeline: Complete by October 31, 2024.

Recommendation 19. Continue to evaluate the costs and benefits of switching to entirely Metro run transfer station operations to inform future decision-making.

Response: Management agrees with this recommendation. Metro competitively procures new transfer station operating contracts approximately every 10 years. Each time one of Metro's two operating contracts is replaced, staff consider which operating model would best serve the public interest. Per Regional Waste Plan guidance (Goal 3), throughout 2021 and 2022 Metro thoroughly assessed the opportunity for operating Metro Central with public staff. While Metro ultimately did not decide to fully staff the station with public employees, Metro will be playing a larger direct role in operations at Metro Central. Beginning Jan. 1, 2024 Metro will own and maintain most of the heavy equipment used by the contractor on site.

Proposed Plan: At the next transfer station operations procurement opportunity, staff will again assess costs, benefits and risks of staffing operations with public employees versus contracting for the work.

Timeline: Ongoing as part of the normal operations contract procurement process.

Recommendation 20. Assign responsibility for creating and managing a change management plan to implement the new point-of-sale system.

Response: Management agrees with this recommendation. WPES is working jointly with executive stakeholders from IT, HR, FRS, OMA, and Capital Asset Management in the RFP phase and has already developed a communications plan and begun discussing a change management plan.

Proposed Plan: WPES will need a signed contract with the selected vendor to inform implementation and finalization of a change management plan. The WPES AES Division Director will work with the vendor and an IT project manager to develop a change management plan.

Timeline: WPES will need a signed contract with the selected vendor to inform a timeline.

I want to express my gratitude to you and your team for performing this audit and for the opportunity to submit a management response.

Sincerely,



Marissa Madrigal, Chief Operating Officer

In response to a request for clarification about the training schedule, management provided the following additional information:

Thank you for the opportunity to clarify our response, commitment, and sense of urgency in regard to employee training. The FY 24-25 goal for completion of training set out in our response is referring to new/and or individualized trainings determined by the new JHAs and operational SOPs. It does not refer to trainings on existing SOPs or required trainings that have been missed. For that, we have provided HAZWOPER refresher training for HHW staff (August 29-31 and Sept. 5 and 8) and have training scheduled for all employees in transfer station operations in the short term which will run concurrently with our efforts to revise SOPs and JHAs. We apologize if that was not clear in our response and we are happy to amend our response for clarity if that is okay with you.

In a change that I believe demonstrates our commitment, going forward Metro is planning to curtail transfer station operations twice a year to create time for employees to attend safety standdowns. The first was tentatively booked for September of 2024, but I have asked the department to push that up to hit a May 2024 date.

In addition, a few upcoming trainings include but are not limited to:

- Two trainings in Radiation Awareness for HHW staff: Sept. 26 and 29, Oct 6 and 9
- Three trainings in Asbestos Awareness for all staff that did not attend the 3-day AHERA Asbestos Hazard Emergency Response Act) training: Sept. 20, Nov. 2 and Nov. 8
- Two HAZWOPER 8-hour trainings for HHW and Recology staff: Sept. 22 and 15
- One HAZWOPER 24-hour training for HHW staff, plus two Traffic staff for awareness: Aug 29 through 31
- Four trainings in OSHA 10 for transfer station staff: Nov 14 and 15, Nov 28 and 29, Dec 4 and 5, Dec 21 and 22
- Emergency Response Training (First Aid and CPR): To be scheduled this fall

To further explain the timeline for *new/individualized* training as a result of SOPs and JHAs, it is OSHA (Occupational Safety and Health Administration) best practice to use operational SOPs and job hazard analyses (JHAs) to identify training specific to individuals. Under the OSH Act General Duty clause, employers must mitigate and keep worksites free from hazards to the best of our ability. This requires codifying tasks for each job to identify clear steps and hazards specific to those tasks. The SOPs and JHAs will take time to complete since most are being generated for the first time or have not been updated in nearly 15 years. WPES reports that there are nearly 80 SOPs to contend with for HHW, and they undergo a multilevel revision process that involves management and front line workers. Once complete, they are considered living documents and will be updated as needed and through annual reviews.



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