

OFFICE OF AUDITOR GENERAL



Facilities Management
Audit Report

March 22, 2010



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Facilities Management Executive Summary

OBJECTIVE:

To evaluate policies, operating procedures and the general control environment in the Facilities Maintenance Department.

BACKGROUND:

The Facilities Maintenance Department is responsible for maintaining a safe learning environment for all students, staff and community of the Rochester City School District. They provide maintenance and repair service for buildings, building equipment systems and grounds for all the District's facilities. The District must ensure that procedures are in place regarding maintenance to address observed deficiencies, as well as preventative maintenance to protect against new deficiencies and extend the useful life of buildings and equipment. The budget for Facilities is approximately \$23 million.

SCOPE:

We collaborated with management and staff to obtain an understanding of the Facilities Maintenance Department and its processes. We evaluated the Facilities Maintenance Department's procedures and protocols governing the activities of the department. We assessed the guidelines, schedules and tracking mechanisms to ensure the existence of adequate corrective and preventative maintenance programs. We evaluated controls over equipment, tools and parts. Energy controls were assessed for effectiveness. We conducted a stakeholder assessment to determine satisfaction with Facilities service delivery and operating performance. We performed a budget analysis to evaluate reasonableness.



Facilities Management Executive Summary

CONCLUSION:

Development, implementation and enforcement of comprehensive procedures will facilitate consistent operations. Improved controls over the TMA work order system by limiting and monitoring user access, improving the completeness of work order information, implementing data integrity procedures and utilizing system functionality for analysis will improve overall operations. Formalized documented procedures and monitoring should also be performed for contractor performed work orders, scrap and recycling management, equipment warranties and energy management. Development and implementation of comprehensive inventory procedures which, at a minimum, should include an annual physical inventory for parts, tools and equipment and management monitoring to ensure assets are not misappropriated.

Purchasing Card protocols should be established, monitored and enforced to ensure that warehouse stock is utilized prior to purchasing materials and supplies at retail locations. Tracking should also be established to identify which parts are utilized for work orders. Management was extremely responsive to our review and had already started implementing several procedural improvements prior to the completion of our fieldwork. Operating management should be commended for the spirit in which this audit was received and the swift actions taken to improve their operations.



Facilities Management Summary of Recommendations

Rec#	Recommendations
1	<i>Develop and implement comprehensive written policies and procedures for the entire Facilities Maintenance Department. Communicate and enforce compliance with the policies and procedures.</i>
2	<p><i>Establish and implement operating procedures for the request process. Include the following:</i></p> <ul style="list-style-type: none"> • <i>Develop a defined timeline for the acceptance/rejection of requests.</i> • <i>Implement monitoring procedures for outstanding requests.</i> • <i>Determine the feasibility of applying a filter for requests by trade.</i> • <i>Consider implementing a process where one individual is responsible for reviewing, accepting and rejecting all requests on a daily basis.</i>
3	<i>Deactivate employee user access for those who do not have the authority to utilize the TMA system. Perform an assessment of TMA user access needs, which should align with the employee's job function, and ensure proper segregation controls.</i>
4	<i>Implement, communicate and monitor a process that requires the detailed recording of work order information.</i>
5	<i>Develop an implementation plan for fully utilizing the TMA system ensuring the proper design of internal controls surrounding the various components of the system. Develop and implement procedures to ensure data integrity. Utilize analytical tools and reporting in TMA to assist in operations.</i>
6	<i>Develop and implement procedures to ensure the detailed recording of contractor work order information. Develop a process to thoroughly review contractor work orders prior to closure in TMA.</i>
7	<i>Enforce and monitor compliance with P-Card purchasing protocols including utilizing warehouse stock prior to purchasing from a vendor and noting work order numbers on P-Card receipts. Ensure all P-Card purchases are properly entered into TMA.</i>



Facilities Management Summary of Recommendations

Rec#	Recommendations
8	<i>Develop a process to monitor and trend P-Card purchases based on inventory item, purchaser and vendor. Based on the review, implement changes to operating protocols and inventory.</i>
9	<i>Develop and implement a formalized process for the tracking of equipment warranties. Utilize TMA to assist in warranty tracking. Tag equipment with warranty information to ensure Maintenance Mechanics do not perform repairs that are covered under warranty.</i>
10	<i>Segregate the inventory functions among employees or implement a detailed supervisory review of the inventory function as a compensating control activity.</i>
11	<i>Ensure all inventory, including parts, tools and equipment, are tracked in the TMA system and implement monitoring to ensure assets are not misappropriated.</i>
12	<i>Develop and implement a comprehensive inventory process that includes:</i> <ul style="list-style-type: none">• <i>Establishing a consistent time that inventory is taken annually.</i>• <i>Developing a concise inventory process so that it is completed in a reasonable timeframe.</i>• <i>Retaining documentation to support physical inventory counts and all inventory adjustments.</i>• <i>Updating all inventory amounts in TMA to reflect actual inventory on hand.</i>
13	<i>Develop and implement a formal process for the distribution of inventory after normal business hours.</i>
14	<i>Implement a process for the verification of parts distribution by Maintenance Mechanics to ensure agreement with the work order. Eliminate the possibility for warehouse employees to change work orders after Maintenance Mechanic verification.</i>



Facilities Management Summary of Recommendations

Rec#	Recommendations
15	<i>Implement a process to ensure obsolete or retired inventory is removed from the inventory listing or labeled inactive in TMA.</i>
16	<i>Change the inventory pricing in TMA from standard price to either the last price or average price to ensure reasonable inventory values.</i>
17	<i>Assign vehicles to a specific Maintenance Mechanic to maintain accountability for the inventory within the vehicle. Track vehicle inventory in TMA.</i>
18	<p><i>Develop processes and update current procedures for scrap waste recycling to include the following:</i></p> <ul style="list-style-type: none"> • <i>Develop a process that requires scrap that is removed from a district location is tracked via work order in TMA.</i> • <i>Implement a process in which all scrap metal returned to Facilities Maintenance is verified against the work order to ensure completeness.</i> • <i>Enforce the existing process that requires scrap that is to be taken for recycling is tracked via work order in TMA.</i> • <i>Perform a reconciliation of the work orders to ascertain whether the amount of scrap metal removed from district locations approximates with the amount of scrap metal delivered to the recycling yard.</i>
19	<i>Develop a formalized process for the monitoring of energy usage and billings. Document evaluations performed to support the monitoring process.</i>
20	<i>Develop a formalized process for evaluating district locations and the district as a whole for improving energy efficiency.</i>
21	<i>Develop and implement a process to ensure all employees receive the required safety training. Consider the use of a master list to aid in the determination of required training and the tracking of the training actually received.</i>



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #1

Policies and Procedures

There is a lack of comprehensive policies and procedures for the entire Facilities Maintenance Department. The Facilities Maintenance Department has begun to prepare a Policies and Procedure Manual, but it is not all inclusive or complete. Desk procedures, which communicate how to perform daily responsibilities in compliance with policies, are also incomplete. A Policies and Procedures Manual for Facilities Maintenance should be detailed, comprehensive and up to date to ensure consistent application and compliance with Facilities Maintenance policies. Written and communicated policies would enhance the consistency of recorded data, consistency in the handling of transactions, and aid in holding employees accountable for the work performed.

RECOMMENDATIONS and MANAGEMENT RESPONSES

*Develop and implement comprehensive written policies and procedures for the entire Facilities Maintenance Department.
Communicate and enforce compliance with the policies and procedures.*

Management Responses: Agree

The operational issues identified during the audit have been reviewed and procedures have been established for each of these items. We have developed written procedures and protocols that provide the necessary guidance to insure consistent and structured operational procedures for the Facilities Maintenance Department.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #2

Requests

Requests for facilities maintenance are provided by custodians and principals through a TMA component called iService Desk which is a front end portal to initiate and track requests. Each Foreman is required to review all requests on a daily basis and accept or reject requests which pertain to their trade. A filter does not exist on the request listing; therefore, each Foreman must review every request in queue. If no Foreman accepts responsibility for an order, then it will sit in the queue with no action. This creates a lack of assurance that all requests are being reviewed and a lack of accountability if requests have not been addressed. It was noted during our audit that there were approximately 850 open requests which were submitted prior to the current school year. Requests should also be able to be reviewed through a filter by trade. Requests should be reviewed and assigned on a regular basis. All requests should be reviewed and accepted or rejected in a timely manner. Timely acceptance or rejection of requests would provide Facilities Maintenance a more realistic backlog for work orders.



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #2 RECOMMENDATIONS and MANAGEMENT RESPONSES

Establish and implement operating procedures for the request process. Include the following:

- *Develop a defined timeline for the acceptance/rejection of requests.*
- *Implement monitoring procedures for outstanding requests.*
- *Determine the feasibility of applying a filter for requests by trade.*
- *Consider implementing a process where one individual is responsible for reviewing, accepting and rejecting all requests on a daily basis.*

Management Responses: Agree

The TMA, iService desk is the primary interface between the building staff and Facilities Maintenance when requesting maintenance services. This avenue needs to be a high priority when responding to and addressing staff requests. Attachment "A", SOP – Work Order Management addresses the insufficiencies in this area and provides guidelines for proper operating procedures. Operating procedures for the request process have been established and implemented as detailed in the SOP-Work Order Management document.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



**Facilities Management
Observations, Recommendations and Action Plans**

OBSERVATION #3

User Access

TMA

TMA is the system utilized to manage work orders and inventory parts, tools and equipment. Upon review of the access provided to users in TMA, the following was noted:

- Maintenance Mechanics do not utilize TMA, but there were Maintenance Mechanics that had user access. These individuals were utilized to assist with TMA set up several years ago. Their system access has not been inactivated to prevent future unauthorized use. Only authorized users of TMA should have access.
- There were users with the ability to close work orders that did not have the authority to close work orders. Only employees with the authority to close work orders should have access to this feature in TMA. All other user's access to close work orders should be deactivated.
- Inventory related user permissions do not provide proper controls. Warehouse staff and Foreman have full access to the tool crib, and in TMA, they have access to receive stock, issue materials on work orders and make adjustments for variances in inventory. These users also have access to change materials on work orders without validation by the assigned mechanic. These users could both perpetrate and conceal errors or fraud in the normal course of their duties. Proper controls over inventory related user permissions should exist.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Deactivate employee user access for those who do not have the authority to utilize the TMA system. Perform an assessment of TMA user access needs, which should align with the employee's job function, and ensure proper segregation controls.

Management Responses: Agree

All user access has been reviewed and limits have been placed based on job function and responsibilities.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: Completed



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #4

Work Orders

TMA

The work order function in TMA is not being utilized as intended. The following issues regarding work orders recorded in TMA were noted:

- Priority function is not consistently being utilized.
- Labor hours assigned to each work order are not accurate.
- Parts and material are not consistently entered into the work order.
- Work actually performed by the Maintenance Mechanics is not being reported on the work order.
- Foremen inspections of the work performed are not being consistently tracked on the work order.

Information entered on work orders should be detailed and accurate. The TMA systems offers sophisticated functionality and proper utilization of the system will promote management's ability to effectively manage Facilities' operations.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Implement, communicate and monitor a process that requires the detailed recording of work order information.

Management Responses: Agree

Attachment "A", SOP- Work Order Management addresses the insufficiencies in this area and provides guidelines for proper operating procedures. The TMA Work Order Process Flow Chart and the SOP- Work Order Management documents communicate the implementation of the TMA Work Order function's utilization and monitoring on a go-forward basis to address this recommendation.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #5

Data Integrity for Effective Monitoring

TMA

Overall, Facilities Maintenance is not utilizing TMA to its fullest potential. The TMA system offers many useful analytical tools to assist management with the monitoring of operations, but these reports are rendered useless due to the lack of data integrity. The system is not consistently being utilized and there is a lack of adequate validation of the data entered. Examples include work order estimation times, response times, inventory reports, equipment records and open work order agings. The TMA system should be utilized to its fullest potential. The data should be entered into the system and reviewed to ensure completeness and accuracy. Management should be utilizing analytical tools and reporting in TMA to assist in operations.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop an implementation plan for fully utilizing the TMA system ensuring the proper design of internal controls surrounding the various components of the system. Develop and implement procedures to ensure data integrity. Utilize analytical tools and reporting in TMA to assist in operations.

Management Responses: Agree

Attachment "A", SOP- Work Order Management addresses the insufficiencies in this area and provides guidelines for proper operating procedures. The SOP – Work Order Management document addresses in detail, the implementation plan for fully utilizing the TMA System for the Facilities Maintenance Department.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #6

Contractor Work Orders

There is a lack of detailed information regarding the work assigned to contractors. All contractor work should be entered into TMA as a work order. The actual work performed and labor hours are not included in the work order. If this information was included in the work order, it could be useful for future work to determine the reasonableness of price quotes and expected time to complete the work order. Also, there is a lack of proper review of contractor work prior to closing the work order. It was noted in our audit, that there were contractor work orders in which the price was grossly overstated. Proper review prior to closing the work order in TMA may have prevented the error. Contractor work orders should be thoroughly reviewed for accuracy prior to being closed.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop and implement procedures to ensure the detailed recording of contractor work order information. Develop a process to thoroughly review contractor work orders prior to closure in TMA.

Management Responses: Agree

Attachment "A"; SOP- Work Order Management addresses the insufficiencies in this area and provides guidelines for proper operating procedures. The SOP- Work Order Management document addresses the insufficiencies in this area and provides guidelines for proper operating procedures for Contractor Work Orders.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #7

P-Cards Policy Compliance and Inventory Management

P-Cards

P-Cards are utilized to purchase all parts and tools that are priced under \$2K. All Maintenance Mechanics and Foremen have a P-Card to enable them to purchase the parts necessary to complete work orders. It is a department protocol that all material requests should begin at the warehouse. Any materials that are considered high turnover are being inventoried and stocked for mechanic use. Vendor purchases should only be made if the items are unavailable or not stocked in the warehouse. It was also noted that P-Card purchases are not consistently recorded on the work order in TMA. Of those that were recorded, relevant information was omitted from the work order including item description and vendor. This hinders the ability to align P-Card purchases with actual work completed. All vendor purchases are required to have a work order number identified on the invoice, but it was noted during testing that this practice is not consistently followed.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Enforce and monitor compliance with P-Card purchasing protocols including utilizing warehouse stock prior to purchasing from a vendor and noting work order numbers on P-Card receipts. Ensure all P-Card purchases are properly entered into TMA.

Management Responses: Agree

A departmental directive was issued to all Foremen to insure any P-Card activity is appropriately documented on the work order. Secondary verification will be conducted by the TMA Foreman and the secretary assigned to the department. Attachment "C", Work Order Process Flow Chart addresses the insufficiencies in this area and provides guidelines for proper operating procedures.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #8

Monitoring P-Card Purchases

P-Cards

Overall, there is a lack of monitoring and trending of P-Card purchases. P-Card purchases are not monitored to determine what items are being purchased, nor is trending performed to determine frequency of purchases made by mechanics. P-Card purchases should be reviewed by mechanic, inventory item, and vendor. P-Card purchases should be tracked to determine frequently purchased items and compared with inventory stock to assess warehouse needs and noncompliance with purchasing protocols. Monitoring P-Card purchases would aid in ensuring the warehouse is stocking frequently used inventory items, allow competitive pricing, as well as determine if Maintenance Mechanics are not following department protocol to obtain materials from the warehouse in lieu of purchasing from a vendor.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop a process to monitor and trend P-Card purchases based on inventory item, purchaser and vendor. Based on the review, implement changes to operating protocols and inventory.

Management Responses: Disagree.

We have been monitoring P-Card purchases at our vendors to determine purchases that are of higher frequency that weren't inventoried. These items were then added if the volume of the purchase warranted stocking these items. We also monitor P-Card activity to insure any items that are warehoused aren't purchased. We have had discussions with our vendors to prohibit specific items from counter sales.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: Completed



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #9

Warranties

A formalized process does not exist for tracking of warranties on equipment. Manufacturer warranties are not organized to maximize use and save on repair costs that could have been covered by the manufacturer. Warranties are not being tracked in TMA. All equipment that is covered by warranty should be tagged so Mechanics can easily identify when a warranty exists and all warranties should be tracked in TMA. Equipment should not be repaired by District Mechanics if a warranty exists. The District could potentially be paying for repairs on equipment that are covered by warranties.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop and implement a formalized process for the tracking of equipment warranties. Utilize TMA to assist in warranty tracking. Tag equipment with warranty information to ensure Maintenance Mechanics do not perform repairs that are covered under warranty.

Management Responses: Agree

A warranty management procedure has been established to appropriately address this issue. Attachment "B" identifies the SOP for this function.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #10

Segregation of Duties

Inventory

A lack of segregation of duties exists for the entire inventory function. The warehouse employees are responsible for all aspects of inventory including purchasing, receipt of inventory, receiving in TMA, physical inventory counts, adjustments to inventory counts in TMA and custody of the inventory. Duties should be segregated among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions, recording transactions, and handling the related asset should be separated among employees. When these functions cannot be separated, due to small department size, a detailed supervisory review of related activities is required as a compensating control activity. Segregation of duties is essential to effective internal control. It reduces the risk of both erroneous and inappropriate actions, as well as a deterrent to fraud.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Segregate the inventory functions among employees or implement a detailed supervisory review of the inventory function as a compensating control activity.

Management Responses: Agree

The Facilities Warehouse is the primary avenue for material, tools and supplies for the Facilities Maintenance staff. Attachment "D", SOP- Warehouse Inventory Management addresses the recommendations for this area and provides guidelines for proper operating procedures. The SOP – Warehouse Inventory Management document addresses the segregation of inventory functions among employees in addition to the implementation of a detailed Supervisor Review of the inventory function.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #11

Inventory Tracking System Incomplete

Inventory

Facilities Maintenance utilizes TMA to track their inventory on a perpetual basis. Parts and materials are entered and tracked in the system, but not all small tools and equipment have been entered into TMA. All parts, small tools and equipment should be tracked in the TMA system. The risk for the misappropriation of small tools and supplies increases with the lack of adequate tracking. Currently, the Facilities Maintenance Department is in the process of entering all tools and equipment into TMA.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Ensure all inventory, including parts, tools and equipment, are tracked in the TMA system and implement monitoring to ensure assets are not misappropriated.

Management Responses: Agree

The Facilities Warehouse is the primary avenue for material, tools and supplies for the Facilities Maintenance staff. Attachment "C". The SOP- Warehouse Material Distribution document addresses the recommendations for this area and provides guidelines for proper operating procedures to ensure that all inventory, including parts, tools and equipment are tracked and monitored in the TMA System to ensure assets are not misappropriated.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #12

Physical Inventory

Inventory

Facilities Maintenance maintains inventory of equipment, tools and parts. Although TMA is utilized to track inventory on a perpetual basis, physical inventory is performed annually as well as physical spot checks throughout the year. The annual physical inventory is performed by the warehouse employees with the assistance of the preventative maintenance employees, if available. The physical inventory takes one to two months to complete. The annual physical inventory is usually performed in the summer, but it is not performed at the same time every year. Annual physical inventory counts should be taken consistently at the same time every year. Evidence of annual physical inventory counts as well as periodic spot check counts is not maintained. Discrepancies in physical inventory counts compared to the TMA system are not investigated and documentation to support inventory adjustments in TMA is not retained. Based on our audit testing, physical inventory counts did not always align with the inventory counts in 58% of the inventory items selected. There were also inventory items in TMA with a quantity of one, but the items were never stocked. These items were entered as placeholders in the inventory. Due to this practice, the validity and accuracy of the inventory system is in question. Utilization of placeholders for noninventoried items creates inaccurate inventory counts and values in TMA. Because TMA is utilized for reordering understock items, accurate counts are important in determining the amount of inventory necessary for ordering.



Facilities Management Observations, Recommendations and Action Plans

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop and implement a comprehensive inventory process that includes:

- *Establishing a consistent time that inventory is taken annually.*
- *Developing a concise inventory process so that it is completed in a reasonable timeframe.*
- *Retaining documentation to support physical inventory counts and all inventory adjustments.*
- *Updating all inventory amounts in TMA to reflect actual inventory on hand.*

Management Responses: Agree

The Facilities Warehouse is the primary avenue for material, tools and supplies for the Facilities Maintenance staff. Attachment "D", SOP- Warehouse Inventory Management addresses the recommendations for this area and provides guidelines for proper operating procedures. The SOP- Warehouse Inventory Management document addresses the recommendations for this area and provides guidelines for proper operating procedures for the development and implementation of a comprehensive inventory process for Facilities Maintenance.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #13

After Hours Inventory Distribution

Inventory

A formalized process does not exist for the disbursement of inventory after normal working hours. Warehouse employees only work during the day. In the evenings, Maintenance Mechanics and Foremen occasionally require parts after hours. Foremen have access to the tool crib to obtain any parts necessary to complete work orders after the warehouse employees have left. The Foremen may leave a note for the warehouse employees informing them of the inventory taken, so the warehouse employee can enter the parts into the work order in TMA. Because this practice is not consistently followed, it is assumed that any variances between the physical inventory counts and the TMA system are due to Foremen taking inventory after hours and not informing the warehouse employees. A formal process should exist for the distribution of parts after hours. A lack of a formalized process for the distribution of inventory after hours increases the risk of the misappropriation of inventory.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop and implement a formal process for the distribution of inventory after normal business hours.

Management Responses: Agree

All warehouse access has been removed from maintenance staff to insure there will be minimal inventory discrepancies. Any projects conducted after hours are being reviewed by the Foreman and material is being requested prior to the warehouse closing for the day.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #14

Lack of Mechanic Verification of Parts Received

Inventory

Mechanics request parts needed for their work orders from the warehouse employees. The warehouse employees provide the Mechanic with the requested parts and later enter the parts into the work order in TMA. The Mechanics do not verify that the amount of inventory received agrees to the parts reported on the work order. The entry of parts into work orders should ideally be completed in the presence of the Mechanic and the Mechanic should verify that the parts reported on the work order coincide with what was received. The warehouse employees should not have the ability to change their entry to the work order in TMA after Mechanics have verified receipt of the parts. The lack of verification from Mechanics creates an opportunity for the misappropriation of inventory by the warehouse employees.

RECOMMENDATIONS and MANAGEMENT RESPONSES

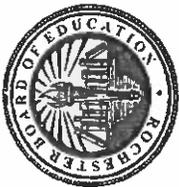
Implement a process for the verification of parts distribution by Maintenance Mechanics to ensure agreement with the work order. Eliminate the possibility for warehouse employees to change work orders after Maintenance Mechanic verification.

Management Responses: Agree

The Facilities Warehouse is the primary avenue for material, tools and supplies for the Facilities Maintenance staff. Attachment "C", SOP - Warehouse Material Distribution addresses the recommendations for this area and provides guidelines for proper operating procedures. A process for the verification of parts distribution by Maintenance Mechanics to ensure agreement with the Work Order has been created and described in detail on the SOP – Warehouse Material document.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #15

Obsolete and Retired Inventory

Inventory

Defined processes do not exist to dispose of obsolete or retired inventory in the TMA system. TMA does not allow for the removal of any inventory item that is attached to a work order, however, the item's status can be changed to inactive. The TMA inventory system should only include active items. Old, obsolete or recycled inventory should be changed to an inactive status. Incorrect classification of obsolete equipment could result in the misconception that the equipment is available for use. These items remaining on the asset listing overstates the actual inventory and the inventory value.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Implement a process to ensure obsolete or retired inventory is removed from the inventory listing or labeled inactive in TMA.

Management Responses: Agree

The Facilities Warehouse is the primary avenue for material, tools and supplies for the Facilities Maintenance staff. Attachment "D", SOP- Warehouse Inventory Management addresses the recommendations for this area and provides guidelines for proper operating procedures, including the inactivation of a specific part that is removed from our physical inventory once the obsolete material is identified.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #16

Inventory Value

Inventory

The inventory value assigned to each inventory item is based on the "standard price" within TMA. This standard price is the price that was assigned to the inventory item upon original entry into TMA. During our testing, it was noted that the standard price did not always align with the last price or the average price. The TMA system allows for last pricing or average pricing as viable options to value inventory. Utilizing the standard price in lieu of the last price or average price does not allow for changes in pricing to be updated and accounted for in the inventory value. As a result, incorrect pricing is assigned to inventory. For an accurate inventory value, last price or average price should be used to value inventory.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Change the inventory pricing in TMA from standard price to either the last price or average price to ensure reasonable inventory values.

Management Responses: Agree

The current version of our CMMS supports varying options for managing inventory value. We are currently using the "Weighted Average" formula to accurately determine our warehouse value. Memo "F" provides examples of the function for this option.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #17

Vehicle Inventory

Inventory

Maintenance vehicles are utilized by the maintenance mechanics to perform their daily job duties. Each vehicle is stocked with small tools and supplies. These vehicles are not strictly assigned to one maintenance mechanic. There are occasions in which maintenance vehicles are not inventoried separately in TMA. The assignment of mechanics to each of the maintenance vehicles should be limited. Tools supplied in the vehicles should be inventoried and physical counts should be taken regularly. In addition, vehicle stock should be inventoried in TMA. The lack of oversight on vehicle stock increases the District's exposure for lost or misappropriated inventory.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Assign vehicles to a specific Maintenance Mechanic to maintain accountability for the inventory within the vehicle. Track vehicle inventory in TMA.

Management Responses: Agree

All maintenance staff has been assigned individual vehicles and is responsible for their own vehicles. Attachment "A", The SOP-Work Order Management document addresses some of the insufficiencies in this area and provides guidelines for proper operating procedures. Vehicle stock is typically minor parts that are common to the individual mechanics trade. These items are reported to their work orders when utilized for maintenance and repair functions.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #18

Scrap Waste Recycling

The Facilities Maintenance Department has established a procedure for the removal of scrap material. The procedure requires returning materials to the maintenance shop for recycling, creating a work order to identify the location and type of material being recycled, delivery of material to recycling facility, and obtaining a reimbursement check made out to the City School District of Rochester. It was noted during our testing that work orders were rarely created for the removal of scrap material. As a result, there is a lack of assurance that all scrap is returned to Facilities Maintenance for recycling. A tracking method should exist to identify how much scrap was removed from the original location to the recycling bin and subsequently to the recycling yard. The procedures for scrap waste recycling should be updated to provide assurance that all scrap materials removed from a location is accounted for and all scrap materials delivered to the recycling yard coincides with what was removed from the locations. The risk of misappropriation exists without proper procedures in place to account for all scrap metal removed from District locations and delivered to the recycling yards.



Facilities Management Observations, Recommendations and Action Plans

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop processes and update current procedures for scrap waste recycling to include the following:

- *Develop a process that requires scrap that is removed from a district location is tracked via work order in TMA.*
- *Implement a process in which all scrap metal returned to Facilities Maintenance is verified against the work order to ensure completeness.*
- *Enforce the existing process that requires scrap that is to be taken for recycling is tracked via work order in TMA.*
- *Perform a reconciliation of the work orders to ascertain whether the amount of scrap metal removed from district locations approximates with the amount of scrap metal delivered to the recycling yard.*

Management Responses: Agree

At times material that has been removed and replaced that has a residual value to the district if properly recovered and recycled. The SOP- Scrap Recycling Procedures document addresses the insufficiencies in this area and provides guidelines for proper operating procedures for Scrap Metal Recycling by the Facilities Maintenance Department.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector

Due Date: May 31, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #19

Energy Management Monitoring

Energy Management

Facilities lacks a formalized process for monitoring energy management. There are no defined thresholds in which action is warranted to investigate an increase or decrease in monthly billings. Although it was stated during our audit that historical analysis, meter system review, and inquiry is performed for unusual gas, electric and water billings, a formalized process does not exist and defined thresholds have not been established to ensure consistency and proper investigation. Defined thresholds and key criteria that should be evaluated should be established to necessitate further investigation of energy usage and billings. Documentation should exist to support and explain fluctuations beyond the established threshold.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop a formalized process for the monitoring of energy usage and billings. Document evaluations performed to support the monitoring process.

Management Responses: Agree. [REDACTED]

The current automated utility meter monitoring system is in process of an upgrade. This upgrade which should be completed by the Fall of 2010, will allow the user to query on an hourly, daily or weekly basis for any RCSD site that has the metering system. These queries will then show in a line chart wave form the consumption of either gas or electricity against a three year period. The system will show hourly consumption and variations in consumption will be evident when these graphs are compared to previous year's data. A review and comparison of program activities, building use permits, unit overrides and heating and cooling degree days are some of the items that will be reviewed to determine the cause of the increase to utility consumption. These deviations may prompt site visits to determine if there are mechanical issues (unit overrides, staff tampering, pneumatic issues, etc) causing the anomalies. As soon as the system is completed, reports will be developed monthly for each site, analyzed, and an appropriate action will be developed to determine the cause of the variations and a necessary action to resolve the issue.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector; John Songer, Plant Engineer **Due Date:** November 30, 2010



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #20

Evaluations

Energy Management

There appears to be a lack of a formalized process for the evaluation of potential energy efficiencies. It is unclear what action is taken to evaluate the district as a whole, as well as individual district locations to assess energy efficiencies. Although there have been changes made district-wide and to individual district locations to improve energy efficiencies, we were unable to determine the level of review and what locations warrant evaluation. A formalized process for energy efficiency evaluations should exist. Evaluations should be documented to support action taken to improve energy efficiency. Energy efficiency evaluations could aid in lowering energy usage and costs for the district.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop a formalized process for evaluating district locations and the district as a whole for improving energy efficiency.

Management Responses: Disagree.

- In 1998 and 2004, the District implemented \$20+ million dollars of Energy Performance Contracts (EPC). After analyzing each facility, we implemented improved lighting, heating, ventilation and air conditioning in district buildings. Monitoring and verification (M&V) for 5 years confirmed more than anticipated annual savings.
- We are in the process of EPC opportunities at Central Office and the Service Center. As with previous EPC's we will implement M&V programs.
- Our standards and specifications have been revised to reflect modern efficient technology such as "Energy Star Appliances" as evaluated by the US EPA.
- Green schools conservation programs exist in nearly half our schools. Staff and students under guidance from engineers who mentor these schools, identify behavioral patterns and implement changes to operational activities which reduce energy consumption. Mentors then verify the results.
- All Capitol Projects are designed under the NYS Energy Codes and are evaluated by the SED prior to construction.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector; John Songer, Plant Engineer **Due Date:** Completed and ongoing



Facilities Management Observations, Recommendations and Action Plans

OBSERVATION #21

Safety Training

Facilities Maintenance lacks procedures to ensure all employees are receiving the necessary safety training as required by Public Employees Safety and Health (PESH). The department retains training attendance sheets for the safety trainings provided, but a master list of all Facilities Maintenance employees, and the actual training received, including dates, is not maintained. There is a lack of procedures to ensure newly hired employees or employees transferring into a different trade obtain all required safety training within a reasonable time period. A master list should exist to track all of the safety training requirements for each Facilities Maintenance employee and when the training was received. This would aid in ensuring that all employees are receiving the training required for their trade. Documentation to support attendance to the safety training should be maintained. A potential legal issue could exist if an employee is injured on the job and the required training was not properly provided.

RECOMMENDATIONS and MANAGEMENT RESPONSES

Develop and implement a process to ensure all employees receive the required safety training. Consider the use of a master list to aid in the determination of required training and the tracking of the training actually received.

Management Responses: Agree

Suzanne Wheatcraft will begin recording training information for the Plant Maintenance Department in an Excel spreadsheet. In November, 2010, once the PeopleSoft update has been completed, IM&T will provide guidance on recording training information in the PeopleSoft employee records system. Ms. Wheatcraft will then begin recording training information within PeopleSoft.

Responsibility: Jerome Underwood, Senior Director of Operations; Tom Keysa, Director of Educational Facilities; Joe Griffin, Maintenance Inspector; Suzanne Wheatcraft, Coordinator of Environmental Safety

Due Date: November 30, 2010