



Audit Report Number 2005-14
City of Richmond
Audit of the Department of Public Works
Custodial Services Unit
12 months ended September 30, 2004

Prepared by
CITY AUDITOR
Richmond, Virginia

Submitted to
The Honorable Members of City Council
June 30, 2005

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The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

SCOPE

We audited the books, accounts and records of the *Custodial Services Unit* of the Department of Public Works (DPW) for the 12 months ended September 30, 2004. We also reviewed the contract with two different contractors that service certain City facilities. We have reviewed and evaluated the system of internal controls in place for the same period to the extent considered necessary.

OBJECTIVES

Our audit objectives were to:

- ❑ ascertain if DPW effectively monitored the two contracts for custodial services,
- ❑ ensure that City staff properly reviewed and authorized payments to the two contractors for services performed in accordance with the contract terms,
- ❑ determine if City employees were satisfied with the custodial services, and
- ❑ ascertain if the Unit's performance measures were accurate, pertinent and properly reported.

We also identified opportunities for improvement in the internal control structure. Our testing did not indicate any internal control weaknesses that would allow material misstatement in the records processed and maintained by the City to go undetected.

METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the course of our work, we reviewed supporting documents, evaluated internal controls, held discussions with City staff, reviewed DPW's existing customer surveys and performed an independent customer satisfaction survey with City staff. We believe that our audit provides a reasonable basis for our conclusions regarding the internal control structure and our recommendations.

CONCLUSIONS

- DPW staff used a hands-off approach to monitoring contractor compliance and left off-site facilities responsible for both monitoring and communicating with the contractors. DPW staff did monitor City Hall activity, but could improve upon their monitoring technique. DPW staff also indicated that each of their two Labor Crew Chief positions were vacant for a major part of the period we selected to audit. (one position was vacant for 5 of the 12 months and the other was vacant for 7 of the 12 months).
 - We also observed that DPW did not have a formal complaint process that logged the number of complaints they received or information regarding resolution of complaints (either for off-site facilities or for City Hall). DPW management has indicated that establishing such a process would require additional resources and is not an option at this time.
- The results of our customer satisfaction survey revealed mixed feelings relating to custodial services. However, in some cases, City staff did not know what services were custodial in nature versus maintenance issues that were not the responsibility of the contractors. Nor did they know what to expect since many City staff indicated they did not have the contract document that lists the tasks and frequency of services under the contract.
- DPW established pertinent performance measures and tried to capture the data to report the measures. *However, the Department's process needs strengthening in order to provide management with information for decision-making purposes.*
 - DPW's cost per square foot compared favorably to industry standards.
- DPW staff consistently paid the monthly contractor invoices before the services were performed (before the end of the month).

Living Wage Ordinances

Many cities in the United States have recently passed living wage ordinances. These ordinances typically mandate that businesses under contract with the city must pay their workers a wage sufficient to support a family financially. This wage is higher than the Federal "minimum wage." Our office has not performed an impact analysis of this type of

ordinance. However, these custodial contracts would be prime candidates for such legislation.

The management of the City of Richmond, Virginia, is responsible for maintaining financial records. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

We discussed the attached comments and recommendations with management throughout the audit and formally on June 22, 2005; we have included management's responses from the responsible officials. We would like to thank the departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the City Audit Committee, the City and departmental management of the City; it is a matter of public record.

Respectfully submitted,

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City Auditor

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May 17, 2005

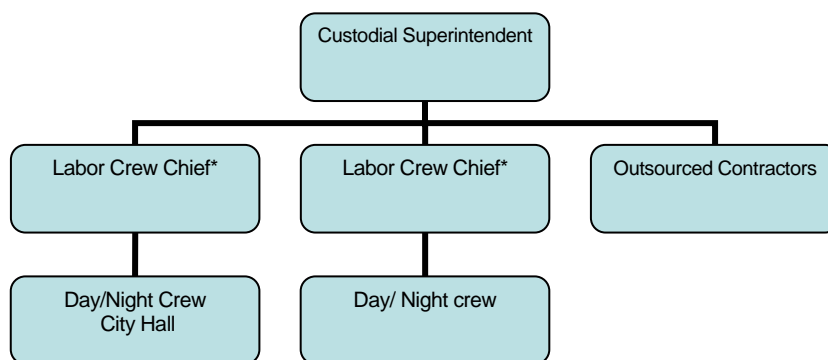
EXECUTIVE SUMMARY

Background

Mission: Richmond Public Works is a key partner in shaping a thriving community that is safe, attractive and accessible.

Vision: Public Works is a nationally accredited agency and a recognized leader in providing innovative and responsive programs, projects, and services. Largely due to the contributions of Public Works, the City of Richmond is the most livable, attractive, and accessible city in the Southeast.

The Custodial Services Unit is organized as follows:



DPW's Labor crews are responsible for servicing certain City Hall floors, the Public Safety building, E-911, Police Headquarters, Oliver Hill Courthouse, John Marshall Courthouse and Manchester Courthouse.

In addition to the above City facilities, DPW is also responsible for monitoring two contractors who service other City facilities.

- One contractor services the Libraries, Animal Control, several of the Police Precincts, the East End Social Service Center and two City clinics.
- The other contractor services all of the remaining City Hall floors, many of the DPU locations, two of the off-site DPW locations and the Police Tow station.

The Department of Public Utilities is included in the City's contract document as an additional using agency.

*During the period we audited, both of the Labor Crew Chief positions were vacant for extended periods of time.

Custodial Tasks and Frequency of Tasks:

The following items are some of the key required services under the contracts:

Daily:

- Sweep and mop floors; vacuum carpets
- Wipe baseboards
- Dust furniture, cabinets, bookcases, etc.
- Clean glass desktops with untreated cloth
- Wipe outside of appliances

Weekly:

- Change trash receptacle liners
- Spray buff hard-surface floors

Quarterly:

- Wash wastebaskets/trash receptacles
- Clean interior partitions and door glass
- High cleaning (70" or more from the floor) of items such as Venetian blinds, door closures, high files, ledges, moldings and fixtures.

Semi-annual:

- Wax and strip hard surface floors
- Shampoo carpets

Summary of Recommendations

In order to improve operations and better achieve the Department's objectives, we made recommendations for management's consideration. We observed that DPW has started to implement some of the recommendations from the audit and has made several improvements to their Custodial Unit.

1. Increase contract management efforts
2. Enhance the customer satisfaction survey process
3. Enhance performance measurements for meaningful decision-making purposes

FINDINGS AND RECOMMENDATIONS

1. Increase Contract Management Efforts

While DPW monitored the City Hall location for contractor compliance, staff used a hands-off approach to monitoring the two contractors for the off-site City facilities.

Essentially, each off-site City facility representative was in charge of monitoring the contractor for compliance with the contract terms. DPW and Procurement encouraged the City facilities to communicate service issues directly with the contractor, leaving DPW out of the complaint process. DPW performed limited site-visits to ensure compliance. We observed the following weaknesses:

- The contract did not provide for a monitoring tool to use in normal situations, but did include a quality control sheet. However, Procurement advised that this tool was originally designed for problem situations only and could be used to rate the contractor prior to payment.
 - i. DPW did not use this tool or encourage off-site agencies to use it or any other type of tool to assist in monitoring the contracts. Generally, each agency or off-site facility was responsible for ensuring contract compliance. Additionally, we found that several of the off-site facilities indicated that they did not have a “Scope of Services” or “Task List” that provided them with the actual tasks and frequency of the services. *We acknowledge that daily tasks may not be difficult to monitor, but some of the weekly, quarterly and semi-annual tasks would need additional attention to determine if the contractor properly performed the task. We give kudos to the Library staff for their attempts to help create useful checklists for the contractor assigned to the Richmond Libraries. We also give kudos to the DPU Operational Center personnel for their use of the quality control inspection sheet to help monitor the services.*
- Since off-site facilities were encouraged to work directly with the contractors, there was little communication directly to DPW as to the extent of the dissatisfaction of contractor services from the off-site facilities. When the contract term was being renewed, DPW completed the contractor performance evaluation surveys, even issuing an excellent rating for one of the contractors, when, in fact, we found the contractor only had a 25% satisfaction rate from City employees.
- Pursuant to the contract terms, both contractors should have notified each facility representative in writing upon the completion of each floor/area serviced during the semi-annual cleaning and advise City staff when it was ready for inspection. None of the City’s off-site facilities could provide such notification from the contractor. DPU locations and the Libraries were generally more aware of the semi-annual tasks than other facilities, but still did not receive notification in writing.

- Relative to processing contract payments, DPW staff consistently approved monthly invoices prior to the end of the month (both contractors billed prior to month-end). Consequently, the contractors were paid before their services were completely performed. We observed that both contractors were in the habit of billing for services very early in the month for that month. One contractor was also inconsistent relative to what period the invoice related to and there were often errors on the dates of the invoices.
- DPW's procedures do not require a sign-off procedure for their inspection of City Hall restrooms.

RECOMMENDATION:

We recommend that DPW strengthen their contract management efforts to include the following items:

- a) DPW should establish a standardized checklist for each City agency/off-site facility (including City Hall floor representatives) and require that the City agency help monitor the contract by submitting an evaluation on a quarterly basis. The checklist should list the daily, monthly, weekly, quarterly and semi-annual tasks on the form for ease of comparison to services provided. It should also provide an area for the agency to communicate to DPW as to the number of complaints during that period, the nature of the complaint and resolution. This information could then be used by DPW management for decision-making purposes and especially during the yearly contractor evaluation process.
- b) DPW should reiterate to both contractors that the contract terms require the contractor to alert City representatives in writing as to certain tasks that were performed. It may be helpful to ask the contractors for a schedule of the quarterly and semi-annual services that would then be shared with City facilities.
- c) DPW management should provide the City's payment procedures to appropriate staff members to ensure that staff do not process monthly contractor payments until services for the month are performed (the end of the month). DPW should also reiterate to both contractors that the contract terms require an invoice ten days after month-end for services performed during the previous month.
- d) DPW management should ensure that a procedure is established for a supervisor to inspect and approve the contractors' cleaning services in the restrooms.

MANAGEMENT RESPONSE

- (a) The Superintendent of Custodial Services has developed a standardized checklist for the using agencies.
- (b) By early July 2005, the Superintendent of Custodial Services will reiterate to the contractors that the contract terms require written notification of semi-annual services. Furthermore, it will be DPW's policy to require both contractors to submit a written schedule for quarterly and semi-annual services.
- (c) It will be DPW policy to require both contractors to submit invoices after the services are performed (within 10 days of month-end). The Superintendent of Custodial Services will approve the invoice after services are performed.
- (d) The Labor Crew Chief will be responsible for inspecting the restrooms and performing a sign-off procedure by July 15, 2005.

2. Enhance Customer Satisfaction Survey Process

We commend DPW for establishing customer satisfaction survey procedures. DPW provided copies of their surveys so that we could compare our results to theirs; DPW staff calculated an 87% customer satisfaction rate.

However, during our review of their customer satisfaction survey process, we observed the following weaknesses:

- DPW's customer satisfaction survey process was not originally intended to encompass all City facilities and both contractors. Essentially, DPW had not included many of the off-site facilities serviced by the contractors. We have recently observed their latest survey and noted that it now includes the other City facilities. However, it was *still* incomplete, as it did not include representatives from DPU and the City Auditor's Office. DPU is an important agency to include since it is listed as a co-agency on the contract.
- We were never able to accurately confirm DPW's reported customer satisfaction rate of 87% since the process did not include many of the off-site facilities. However, from those agencies that DPW did survey and could provide copies to our office, we calculated an 83% satisfaction rate.
- During the period we audited, the Custodial Superintendent performed the survey distribution and summarization process, resulting in a lack of segregation of duties within the process. DPW has corrected this weakness, as it is now handled by another DPW staff person, separate from the Custodial Unit.
- DPW's survey form did not provide for a space for the respondent to include his/her name. Nor did it have a deadline by which to return the form. When the surveys came back, DPW staff could not easily verify who completed the survey for follow-up purposes.

Outlined below, are the results of the our customer satisfaction survey for the custodial services. Since we knew that DPW's surveys did not include many of the off-site facilities, we increased our sample to include some of those facilities. Relative to DPW's own labor crews, our sample included applicable City Hall floors, and two participants from the John Marshall Court building. For the sake of privacy, we have not named the contractors, but have provided that information directly to DPW management for their use:

DPW Custodial Staff: Our results were mixed relative to the satisfaction of DPW's labor crews. Out of nine surveys, approximately 56% of the respondents were satisfied or very satisfied with the services.

- Generally, complaints focused around dusting and carpet cleaning. However, many of the respondents indicated that DPW staff were timely in their resolution process.

Contractor #1: Only 25% of the respondents were satisfied or very satisfied with the services.

- Generally, complaints focused around the cleanliness of restrooms, dusting and carpet cleaning services. Many of the respondents thought that there were not enough workers to handle the cleaning of the facility. However, many of the respondents made it clear that the contractor was courteous and tried to respond timely to their complaints. As a result, City staff were often reluctant to proceed with the contract's liquidation tool. This tool allows for a reduction of a monthly invoice for services not performed properly or adequately.

Contractor #2: 75% of the respondents were satisfied or very satisfied with the services.

- Generally, complaints focused around the cleanliness of the restrooms.
- Several comments related to maintenance issues rather than custodial issues. This indicated that some of the City staff did not have adequate knowledge of the contract services.

Our independent survey process revealed that more thorough contract management and enhanced communication, as mentioned in Recommendation #1, would help enhance overall satisfaction. As we mentioned earlier, some of the City staff were dissatisfied because they genuinely did not understand what services were being provided and the frequency of the task pursuant to the contract.

RECOMMENDATION:

We recommend that DPW management:

- a) review the current survey distribution list against a listing of agencies and facilities covered by custodial services to make sure that the list is up-to-date, accurate and complete,
- b) consider performing the survey twice during the contract term (1st quarter and 3rd quarter),

- c) enhance the survey form to provide a line to enable the respondent to include his/her name (omitting a place for the name of the respondent was not meant to be a method to maintain anonymity) and a date by which to return the survey.
- d) establish a procedure to follow-up on survey results and document such follow-up.

MANAGEMENT RESPONSE:

The Unit's administrative staff will review and update the survey distribution list twice a year. The survey will be sent out twice each contract term and the form will be revised to include a place for the completing person's name and title. The Superintendent of Custodial Services will develop a follow-up procedure by August 15, 2005.

3. Enhance Performance Measurements for Meaningful Decision-Making Purposes

As the City's activity-based costing initiative continues to develop, performance measurement data will become increasingly important. In addition to providing management with valuable information relative to contract management and decision-making opportunities, each individual agency's targets and results are published in the City's Biennial Fiscal Plan; agencies will be held accountable to them.

Industry standards for benchmarking custodial services typically include the following types of measures:

- Cost per square foot
- Square feet cleaned per full time employee (FTE)
- Cost per FTE
- Average labor costs as a percentage of total costs

DPW management has used the cost per square foot for a performance measurement relating to the Unit's efficiency. We reviewed the underlying data to support DPW's cost per square foot of \$1.38 and note the following items:

- Total costs for the unit could not be supported because the unit was not separately accounted for during FY2004. We reviewed staff estimates and recalculated the costs for our purposes. Our analysis was approximately \$102,986 lower than DPW's estimate.
- DPW provided the overall square footage figures used in staff calculations. However, individually, and in total, square footage was not consistent with the square footage in the contracts or square footage figures received from some of the facilities. DPW does not have an up-to-date City facility square footage listing. Using the contract figures to arrive at the overall square footage, we found a difference of approximately 87,900 square feet that DPW staff had not accounted for.

Since we observed the above weaknesses in DPW's calculation, we recalculated the rate. We also separated DPW from the contractors so that we could compare them to several different industry standards.

Results:

	Cost per Square Foot Per Auditor	Cost per Square Foot Per DPW
DPW's labor crews	\$1.38	--
Contracted Custodial Services ¹	\$.96	--
Combined DPW & contractors (and excluding DPU)	\$1.23	\$1.38

Comparison of Cost per Square Foot to Industry Standards:

There are many published standards for this industry, and many differ. There are other factors to consider when comparing to the industry, e.g., the intensity of the cleaning (high, medium or low), frequency of the tasks, type of building, etc. We have listed several different sources for comparison purposes.

International Facility Management Association (2001):

General

In-house services	\$1.60
Contracted Custodial Services	\$1.22

Regional

Mid-Atlantic Region	\$1.22
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Industry Type

Government	\$1.26
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NALGA participant survey (2003):² \$1.57

American School and University (2001)

National indicator	\$1.75
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As expected, the in-house services are generally more than the outsourced services. ***However, the cost of DPW's custodial services is very much in line with industry expectations.***

¹ There was a \$.02 difference in the cost per square foot between the individual contractors. This amount also includes services provided to the DPU locations, which DPW does not account for in their calculation of \$1.38.

² In 2003, the City of Fullerton, California, performed a 10-City survey of participants from the National Association of Local Government Auditors. The survey included a combination of both in-house and contracted custodial services.

Performance Measures

We also observed that the performance measures could be further enhanced to provide meaningful information on the productivity of both DPW's labor crews and the contractors.

A sample performance measure for productivity would be *Square Feet Cleaned per FTE*. This analysis would help determine whether workers were productive.

An additional benefit of accumulating FTE data is that an analysis can be made at the *start of a contract* to determine whether there were adequate numbers of workers for the time allotted by the contractors for a particular facility. ***This analysis may also help determine if the cause for dissatisfaction from City staff is related to a lack of resources budgeted by a particular contractor.***

For instance, if a City facility has 12,748 square foot and the contractor has arranged for 2 workers to service this facility for 2 hours each day, DPW staff can analyze the number of FTE's servicing that facility to determine if it appears adequate.

(Illustration only)

Square foot cleaned per hour:	6,374 (12,748 sq. ft. / 2 hours)
Industry standard for hourly service ³	1,875 – 2,000
Number of required FTE's for this facility	3.18 - 3.39 FTE's

The illustration above shows that under these circumstances, the contractor may have not budgeted enough time for proper cleaning of this facility.

RECOMMENDATION:

We recommend that DPW management:

- a) update the square footage data for all City facilities so that accurate data is used for performance measurement purposes; and
- b) add an additional performance measure to its Work Plan for analyzing productivity, using FTE data, for DPW labor crews and contracted custodial services.

MANAGEMENT RESPONSE:

- (a) The Capital Projects Manager will update all facility square footage by June 30, 2006.
- (b) The Superintendent of Custodial Services will prepare an additional work plan for analyzing productivity using FTE data, for DPW Labor Crews and contracted custodial services by October 15, 2005.

³ Average production per hour varies greatly depending on the obstacles, intensity of the cleaning, the type of building, etc. We selected a reasonable range for the City's cleaning services. DPW would have to determine the proper standard to use to perform this evaluation effectively.

