City Auditor's Office

Public Works Facilities Audit

Report Issued: November 29, 2022

Audit Report No. 22-04

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TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor

DATE: November 29, 2022

SUBJECT: Public Works Facilities Audit

The City Auditor's Office has completed the audit of the Public Works Facilities Management Division. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to the Public Works Department management and Facilities staff for the courtesy, cooperation, and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380 or Timothy DiSano at 242-3308.

C: Rob Hernandez, City Manager
Connie Barron, Assistant City Manager
Dolores Menendez, City Attorney
Kimberly Bruns, City Clerk
Michael Ilczyszyn, Public Works Director
Damon Grant, Facilities Manager
Audit Committee

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EXECUTIVE SUMMARY

The City Auditor's Office conducted a performance audit of the Public Works Facilities Management Division. This audit is included in the City Auditor's FY22 approved Audit Plan.

Based on the test work performed and the audit recommendations, we concluded processes are in place to address maintenance of City facilities; however, controls over certain processes, as noted below, need improvement.

- Draft Policies and Procedures need finalization
- Strengthen work order process controls
- Facility condition assessment process needs improvement
- Improve controls over materials, tools, and equipment inventory
- Evaluate current Facilities project budget structure and establish a Facilities Management Maintenance Program

For further details on these findings and recommendations, see the Findings and Recommendations section.

BACKGROUND

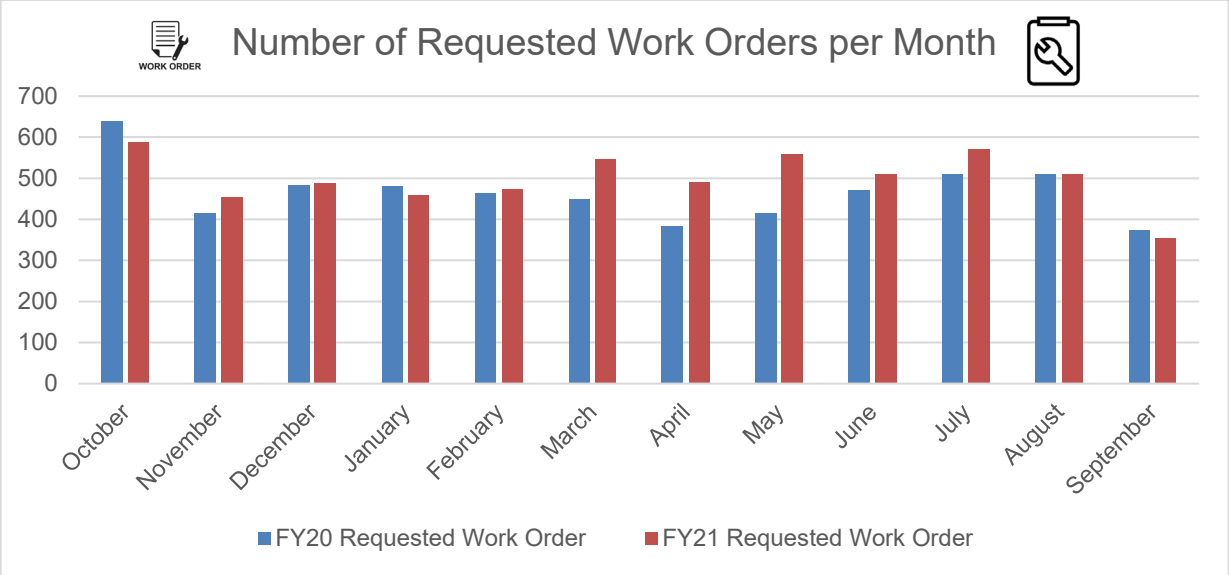
Facilities Management (Facilities) is a division of the Public Works Department. Facilities' main function is to maintain City properties and provide technical assistance in the design and construction of new structures. Facilities is responsible for maintaining over 500 structures with nearly two million square feet of interior space and over 5,880 acres of improved and unimproved land, including recently added parks and related amenities, with an estimated replacement value of over $225 million. Overall, the average age of City facilities is between 20 to 30 years old.

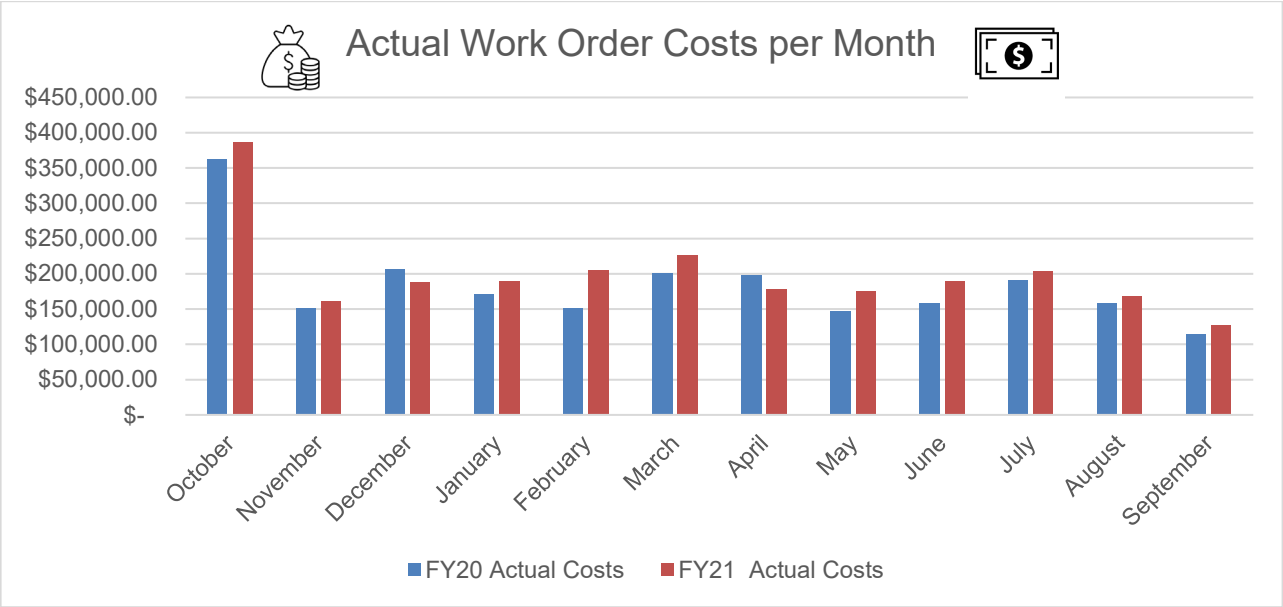
Facilities staff perform a variety of services, including routine maintenance or repairs of buildings and systems, such as servicing air conditioning units; electrical and plumbing repairs and upgrades; painting; carpentry; and custodial services. They also assist individual departments with minor construction projects such as assembling office furniture. Facilities provides support to departments for project management by assisting with planning,

budgeting, designing and construction of new facilities, along with managing remodeling, upgrades, or improvements to existing facilities.

Facilities operates as an internal service fund, which is a fund used in governmental accounting to track goods and services provided to departments on a cost reimbursement basis. Budgeted funds for individual department maintenance, repairs and project costs are included in individual departmental budgets.

The division utilizes Facility Dude software to receive, process, and document department work requests. Field staff input critical data such as labor hours, material used, and actions taken for each workorder. Workorders are billed back to departments approximately the 10th of the month following completed service. According to information received from Facilities, in FY20 they received 5,597 workorder requests totaling approximately $2.2 million. In FY21 they received 6,008 workorder requests totaling approximately $2.4 million. The charts below show the number of requested work orders and associated costs for FY20 and FY21.





AUDIT OBJECTIVE

The audit objectives are:

- To determine if Facilities Management has controls in place to manage preventative maintenance, unscheduled repairs, and individual facility/department projects.
- To determine if Facilities Management has controls in place to account for purchases made for preventative maintenance, unscheduled repairs, and individual facility/department projects.

STATEMENT OF AUDITING STANDARDS

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.

FINDINGS AND RECOMMENDATIONS

FINDING 2022-01 Finalize Facilities Policies and Procedures Manual
Rank: High

Condition:
Facilities is responsible for the maintenance and custodial services for City facilities, including the Charter Schools. As of July 19, 2022, no finalized version of division policies and procedures exists. The City Auditor's Office was provided with two draft versions of the policies and procedures for our audit scope of FY20 and FY21. The draft versions were dated April 13, 2012, and June 1, 2022. Based on the information provided, there are no final policies and procedures in place.

A policies and procedures manual is an essential management tool that provides management and staff guidelines for daily operations. A manual ensures business continuity; identifies specific methods and standards for how work is performed and documented; and provides process consistency and structure. A finalized manual also should be periodically reviewed and updated to ensure it is consistent with current daily operations.

Criteria:
- Finalized policies and procedures with clearly defined roles and responsibilities

Cause:
- Draft policies and procedures manual

Effect:
- Improper division management
- Potential disruption of services
- Unclear standards for work performance
- Inconsistent performance

RECOMMENDATION:
2022-01: Finalize the policies and procedures manual to clearly define roles, responsibilities, and procedures to ensure efficient division management and set clear standards for operations.

Management Response and Corrective Action Plan:

2022-01 Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2022-01 PW Management agrees a policy and procedure manual is an essential tool to guide day to day operations within the division. Management agrees to implement a Divisional Standard Operating Procedure Manual within 90 days of issuance of the audit. Additionally, Management agrees to address each of the areas identified

by the City Auditor over the following nine-month period to have a comprehensive manual within 12 months of issuance under our work order system.

2022-01 Management Action Plan Coordinator: Public Works Director
2022-01 Anticipated Completion Date: 09/09/2023

FINDING 2022-02 Strengthen work order process controls
Rank: High

Condition:
Closing and re-opening work orders
As part of our audit, we tested a random sample of 50 work orders from FY20 and FY21. We identified five instances, or 10% of the sample population, where work orders were closed and then subsequently reopened by Facilities staff. The reasons for the closure and subsequent re-opening were not documented in Facility Dude. We were not able to determine the reason for re-opening. The system has the capability to attach supporting documentation and add supporting notes. Closure and subsequent re-opening without documentation can skew division metrics and artificially inflate work order closure numbers.

Project cost estimates
With increasing prices and limitations on funding, it's important to check costs and determine the most cost-effective way to make repairs and perform projects. Facility Dude has the functionality to track project estimated costs versus actual costs on a per work order basis. During our review of a sample of 50 work orders, this functionality was not used in 28 (56%) of the work orders reviewed. When the function was used, it did not appear to provide a reasonable estimate. Per inquiry with Facilities, Trades Workers are not expected to use the estimating function; however, this functionality can be an effective way to monitor project cost and the efficiency of Trades Workers.

An essential element of quality control is to properly support the actions taken in a work order. Regularly closing and re-opening work orders without proper documentation poses an increased risk of manipulation to division metrics in order to obtain certain performance measures.

Criteria:
- Finalized policies and procedures (see finding number 2022-01)

Cause:
- No documented policy and procedures for work order process
    - Including closure and re-opening of work orders
    - Utilization of Facility Dude cost estimation and tracking

Effect:
- Unsupported changes to work order status
- Reduced work order integrity
- Increased chance of erroneous closure of work orders

- Inaccurate division metrics
- Potential over-spending/improper spending due to no cost estimation
- Inefficient management

RECOMMENDATION:
2022-02: Update the policies and procedures manual to include:
- Process for closure and re-opening work order
- Project cost estimation and tracking

Management Response and Corrective Action Plan:

2022-02 Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2022-02.1 Management will incorporate process for closure and re-opening work orders into Property Management Standard Operating Procedures which will include adding a "reason for reopening." [12/01/2022]. Once the policy is implemented staff will be advised and trained on the guidelines to document when work orders are re-opened and closed per the new policy [12/16/22].

2022-02.2 Train Property Management personnel (Supervisors and trade-workers) on cost estimating standards [FY23]

2022-02.3 With the new Cartegraph facility asset management system cost estimating principals will be implemented for work orders. [FY24]

2022-02 Management Action Plan Coordinator: Public Works Director

2022-02.1 Anticipated Completion Date: Open and Closing Policy 01/06/2023
2022-02.2 Anticipated Completion Date: Cost Estimating Training 09/29/2023
2022-02.3 Anticipated Completion Date: New System (Cartegraph) 09/30/2024

FINDING 2022-03 Facility condition assessment process needs improvement
Rank: High

Condition:
With the continuing rapid growth of the city and the need for expanding services, the City needs to maximize its resources, including maintaining existing City owned facilities while managing its growth efficiently. The existing building structures vary in age from the early 1960's to the present[1]. The City faces the challenge of allocating adequate resources to maintain aging

[1] From Section 1 Background- Request for Proposals City of Cape Coral Facilities Master Plan RCP2236MM

public buildings with limited funds and increasing costs. Facilities is responsible for preventive maintenance to ensure high serviceability of those City owned building infrastructures.

While Facilities has an inventory of buildings and their major systems and components, it does not have a systematic process in place to regularly assess the condition of those buildings. Based on walkthroughs, we determined Trades Workers and staff update building condition data when third party inspections are completed. This is not a formal practice and is not performed consistently for all facilities maintained the division. Facility maintenance industry best practices suggest consistent condition assessments and updates to provide accurate and timely information for immediate and long-term maintenance and replacement decisions.

During the scope of the audit there were no formal condition assessments of any City buildings completed by Facilities. Several roof inspections completed by third party vendors were provided, but these were performed in response to a report of a leak or damage and are not part of a regular assessment program. Due to new requirements for Parks maintenance from implementation of the Operation Sparkle[2] program, Facilities has started a formal assessment of only Parks buildings and property. Operation Sparkle began after our audit scope in Spring of 2022. As part of a walkthrough conducted for the audit, we observed the inspection and assessment of the Frieda B. Smith Special Pop's Building. In general, there are no formal checklists used for the Parks and Recreation/Operation Sparkle inspections and no requirements on who should perform the inspections, or when they should be performed. There also is no standard for what type of report or work product should be produced upon the conclusion of the inspections.

Criteria:

- Finalized policies and procedures (see finding number 2022-01)

Cause:

- No documented policy and procedures for facility assessments
    - Including scheduling, criteria/checklist

Effect:

- Potential increased number and frequency of repairs
- Potential increased repair cost
- Inaccurate/incomplete records for replacement or major repair
- Inefficient/inaccurate cost allocation for projects

RECOMMENDATION:

2022-03: Update the policies and procedures manual to include a defined methodology to perform City property assessments on a consistent schedule with defined evaluation criteria.

[2] Operation Sparkle began in June 2022 to assess the condition of City Parks facilities and properties. This is a collaborative effort between Public Works and Parks and Recreation.

Management Response and Corrective Action Plan:

2022-03 Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response:**

Management agrees regular inspections should occur at City Facilities and will develop a schedule (12/31/22). Operation Sparkle inspections are interdepartmental and are extremely comprehensive. They include Finance Risk Management, Fire Department Life Safety, Parks and Recreation Grounds and Athletics, Public Works Transportation, Stormwater, Grounds Maintenance, and Property Management. They involve multiple inspections from each area of discipline (Risk ADA, Fire Life Safety, etc.). All these individual inspections are pulled together to create a punch list for work needed. Upon completion of the list Parks and Public Works meet to determine which department is responsible for the punch list items and then the departments individually meet to assign out each task to the respective division. As work is completed the punch list is updated. Bi-weekly meetings with the City Manager's Office (CMO) are held to update the CMO on progress. The order of inspections by prioritized list was generated and reviewed by PW and the CMO. The inspections follow a specific program starting with the outermost grounds encircling the main structure(s) and involves lighting, landscaping, irrigation, traffic signs, wayfinding signs, striping, stormwater, utilities, ball fields, fencing, etc. Then the inspection moves to the structure(s) and includes electric, plumbing, offing, exterior and interior doors and windows, floor coverings, ceiling, lighting, and cabinetry. There is a separate Life Safety inspection performed by the Fire Department as well. City staff responsible for the facilities are present during the walk-through and they are consulted as well. Management partially agrees with the auditing team as a checklist is not used to perform the operation sparkle inspection, but checklists are good tools to use when no subject matter experts are required to perform an inspection outside their responsible areas. As such management will develop a checklist for use for the regularly occurring inspections.

2022-03 The updated policies and procedures manual will include a defined methodology to perform City property assessments on a consistent schedule with defined evaluation criteria for routine inspections performed by generalists and a checklist for regular inspections by generalists.

2022-03 **Management Action Plan Coordinator:** Public Works Director

2022-03 **Anticipated Completion Date:** 01/06/2023

FINDING 2022-04 Materials, tools and equipment inventory control and management need improvement
Rank: High

Condition:
Facilities Trades Workers are required to evaluate each individual work order request to determine materials, tools, and equipment needed for completion. In some situations, no materials are required, or they may be provided by the associated Department. In general, the assigned Trades Worker will go to local stores to obtain the materials needed for the work order if materials are not in stock. The decision on where to purchase materials is left to the Trades Worker. There is no policy that materials or tools must be purchased at one vendor.

Material inventory
Facilities does not maintain a large stock of materials due to space limitations. The current practice is to have the Trades Workers maintain and stock commonly used materials and supplies within their city issued vehicle. This is to limit daily store trips, reduce labor cost and improve efficiency in the processing of work orders.

Each Trades Worker is responsible for purchasing, maintaining, and storing their own available stock inventory within their city issued vehicle. These materials are recorded when used to fulfill individual work orders. Facilities does not maintain an inventory of materials on each Trades Worker's vehicle. A limited review of purchases and receipts is performed by administrative staff. The process is not formalized. Without sufficient controls, inventory items are susceptible to theft or misuse. Inventory best practices indicate separation of duties whereby different individuals should oversee ordering, recording, reconciling, and safeguarding inventory. In addition, maintaining inventory records and performing regular inventory counts can help to ensure that inventory is not misappropriated.

Tool inventory
Facilities provides Trades Workers with the necessary tools and equipment to complete daily assigned work orders. In general, tools and equipment are stored on the Trades Workers' vehicles. Some tools are stored at the Facilities main office. There is no inventory of the tools or equipment that each Trades Worker has on their vehicle. As with materials used, without adequate controls, un-inventoried tools can be stolen or misused. Performing periodic inventory counts of tools and equipment can help properly safeguard these city assets and decrease misappropriation.

Criteria:
- There are no documented inventory procedures
- Government Accountability Office 02-447G- Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property

Cause:
- Lack of controls over inventory management
- No documented inventory policies and procedures
- Lack of space on-site

Effect:

- Potential theft or misuse of stock inventory, tools, and equipment
- Underutilized opportunities for purchasing discounts

RECOMMENDATIONS:

2022-04a: Develop policies and procedures for materials, tools, and equipment inventory management practices to properly safeguard and maintain those assets.

2022-04b: Evaluate space needs and methodologies for obtaining and storing commonly used materials inventory.

Management Response and Corrective Action Plan:

2022-04a Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response:**

2022-04a Management will implement and conduct semi-annual disposable asset Tools Physical Inventory– [12/01/2022] and Capital Asset inventory will be performed annually.

Management will conduct Physical Inventory to develop baseline inventory (Bench Stock Materials) – [12/01/2022] and conduct annual inventory review the quarter proceeding the capital asset inventory.

Management will establish Material Benchmarks for re-ordering [12/31/2022] And establish policies (SOP) to conduct annual tool inventory and routine bi-monthly work order verification of materials [12/31/22]

2022-04a Management Action Plan Coordinator: Public Works Director

2022-04a Anticipated Completion Date: 01/06/2023

Management Response and Corrective Action Plan:

2022-04b Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response:**

Management supports just in time inventory which eliminates the need for warehousing, staffing and bulk ordering of materials. The private sector is better suited to handle these aspects and the risk involved with obsolete materials and supplies.

2022-04b Conduct Space Analysis and recommended permanent and temporary storage location(s) for routine items to improve staff time management.

2022-04b Management Action Plan Coordinator: Public Works Director

2022-04b Anticipated Completion Date: 09/01/2023

FINDING 2022-05 Review and evaluate current Facilities project budget structure and establish a Facility Management Maintenance Program
Rank: Medium

Condition:
Facilities currently operates as an internal service fund to track goods and services provided between departments on a cost reimbursement basis, similar to how Fleet Management operates. The budget for repairs and maintenance is established within each respective department for work performed by Facilities. Repair and maintenance costs are considered overhead and therefore are not subject to adjustment by departments. Project budgets are also included in the individual department's budget; however, unlike repairs and maintenance, these amounts can be adjusted or transferred by the individual department. Allowing individual departments to oversee administration of Facilities project costs can create shortfalls due to transfers if the money is needed elsewhere or costs may be incorrectly budgeted. Departments may re-allocate funds originally budgeted for projects without informing Facilities of the changes. A restructure of funding, where-by budgeted department project costs would be included in the Facilities budget, like Fleet, would provide Facilities more control over the funds for more efficient management and coordination of services.

Finally, there is no formal city-wide asset management program for Facilities. There are similar programs for Fleet vehicles, equipment, and software. A comprehensive program provides a map for efficient allocation of resources and funds. A program would also provide a definitive way to address changing and expanding facility needs as the city continues to grow.

Criteria:
- Internal service fund Generally Accepted Accounting Principles
- City budget methodology for project accounting

Cause:
- Decentralized budget structure for projects
- No formal Facility Management Maintenance program

Effect:
- Potential for increased project cost
- Inadequate funding for projects
- Inefficient/inaccurate cost allocation for projects
- Inefficient facility management

RECOMMENDATIONS:

2022-05a: Public Works should work with Financial Services to evaluate the current budget structure to enable the division to provide the most efficient and cost-effective project accounting for city facilities. Consider moving the budgets for individual departmental project costs from the individual departments to Public Works Facilities' budget numbers to provide for more centralized oversight for department projects.

2022-05b: Public Works should develop a Facility Management Maintenance Program to be incorporated in the City's Asset Management Program similar to the Equipment Asset Management and Software Asset Management Programs.

Management Response and Corrective Action Plan:

2022-05a Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2022-05a At this time, we are separately evaluating the most effective and efficient way to account for facilities repairs and improvements as well as incorporate same in the Asset Management Program which will likely be different than the way we currently account for them.

2022-05a **Management Action Plan Coordinator:** Public Works Director

2022-05a **Anticipated Completion Date:** 9/30/2023

2022-05b Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***
***For partially agree or disagree a reason must be provided as part of your response:**

2022-05b At this time, we are separately evaluating the most effective and efficient way to account for facilities repairs and improvements as well as incorporate same in the Asset Management Program which will likely be different than the way we currently account for them.

2022-05b **Management Action Plan Coordinator:** Public Works Director

2022-05b **Anticipated Completion Date:** 4/1/2023

SCOPE AND METHODOLOGY

Based on the work performed during the planning and the assessment of risk, the audit covers Facilities operations for the period of October 1, 2019, to September 30, 2021 (FY20 and FY21). To evaluate Facilities operations, testing was performed using applicable policies and procedures, applicable laws, and regulations in place during the scope.

We conducted interviews and walkthroughs with key division staff to gain an understanding of the workorder process and the facility condition assessment process. We also completed walkthroughs with Trade Workers processing assigned workorders, making applicable material purchases and documenting completed workorders in the Facility Dude System. We evaluated the inventory process in place for materials, equipment and tools stocked on trucks.

Original records as well as copies were used as evidence and verified through physical examination. Sample size and selection were based on the CAO Sample Methodology, we used both judgmental and random sampling methodology for sample selections. We tested a sample of 50 workorders and selected a sample of Trades Workers to perform walkthroughs of daily functions.

In order to achieve the audit objectives, we evaluated Facility Dude System data and the monthly department charge back through the City's financial accounting system, Munis. We determined the data was deemed reliable for the purposes of the audit objectives. The financial accounting system is tested by the external auditors as part of the Annual Comprehensive Financial Report.

Unless specifically stated otherwise, based on our selection methods, and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions for testing, findings, and recommendations on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

APPENDIX A

Finding Classification
Findings are grouped into one of three classifications: High, Medium or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state or local laws, regulations, statutes or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state or local laws, regulations, statutes or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state or local laws, regulations, statutes or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state or local laws, regulations, statutes or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.