FACILITIES MANAGEMENT

MAINTENANCE & ALTERATIONS

GENERAL OPERATIONS REVIEW

AUDIT REPORT # 16-2004

Audit & Advisory Services

September 2016

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Background

In accordance with the UCLA Administration fiscal year 2015-16 audit plan, Audit & Advisory Services (A&AS) conducted an audit of internal controls and procedures over selected business operations within the Maintenance & Alterations (M&A) division of the Facilities Management (FM) department.

M&A is comprised of the Custodial Services unit (north and south zones), 11 trade shops consisting of skilled and semi-skilled trades-people responsible for the maintenance and repair of University facilities, Hospital Zone crew, night crew, and an Administrative unit. Custodial Services provides support for 12 million square feet of campus space and maintains all areas of the university, including specialized areas such as the UCLA Vivarium, recreational facilities, wet and dry laboratories and patient care areas. Support is also provided for special events and emergency response. On a recharge basis, M&A also provides a variety of trades-related services. These include minor construction, refurbishment and alterations up to $50,000, key and sign production, custom furniture making and refinishing, and repair and maintenance of University Campus, Health Science, and medical facilities.

For fiscal year 2014-15, the M&A division had expenditures of about $67 million, which included about $54 million in salary and benefits costs. For the same period, the division had about $75 million in total revenue, which included recharge income of about $37 million.

Purpose and Scope

The primary purpose of the audit was to evaluate the adequacy of internal controls surrounding key business operations. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit included the following activities:

* Professional Licenses and Certifications
* Memorandum of Understanding with UCLA Health
* Budget and Financial Management Processes
* Information Systems

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

#### Summary Opinion

Based on the results of the work performed within the scope of the audit, M&A’s internal controls and related procedures are generally adequate and effective to help accomplish their operational business objectives. There were no significant control deficiencies identified during the audit.

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

Audit Results and Recommendations

Professional Licenses and Certifications

The M&A unit is comprised of staff with a wide range of skills needed to provide maintenance and alteration services to the University including carpenters, electricians, elevator mechanics, masons, painters, plumbers, and roofers. Professional licenses and certifications are required for certain trades such as electricians, elevator mechanics, and plumbers.

A&AS discussed with M&A management whether the status of required professional licenses and certifications for employees was tracked, monitored, and documented. M&A indicated that the managers and administrative assistants of each skilled trade shop maintain spreadsheets that track the licensing information. A&AS selected a judgmental sample of 10 applicable M&A employees to verify that they have the required license(s) for their job position and that these licenses and certifications are current. Based on our review, we noted that all employee records tested had active licenses and certifications for their particular trade (see table below).

|  |  |  |  |
| --- | --- | --- | --- |
| **Test#** | **Working Title** | **Required License / Certification** | **Expiration Date** |
| 1 | Supervising Electrician | State of CA Electrician Certification | 7/1/2017 |
| 2 | Lead Plumber | City of LA Plumbing License or  CA State Journeyman Plumbing License | 10/4/2017 |
| 3 | Lead Electrician | CA General Electrician Certificate | 12/20/2018 |
| 4 | Supervising Plumber | City of LA Plumbing License or  CA State Journeyman Plumbing License | 12/16/2017 |
| 5 | Lead Electrician | CA General Electrician Certificate | 11/3/2017 |
| 6 | Electrician - Alarm Technician | CA General Electrician Certificate | 10/30/2018 |
| 7 | Elevator Mechanic | State of CA Competent Conveyance Mechanic License | 3/4/2017 |
| 8 | Lead Plumber | City of LA Plumbing License or  CA State Journeyman Plumbing License | 12/20/2017 |
| 9 | Elevator Mechanic | State of CA Competent Conveyance Mechanic License | 4/19/2017 |
| 10 | Plumber - Plumbing Shop | City of LA Plumbing License or  CA State Journeyman Plumbing License | 8/16/2018 |

To determine whether all job postings for positions that require a professional license or certification included this disclosure in the advertisement, A&AS reviewed the eight pertinent job postings on January 21, 2016. Based on our review, we noted that all applicable job postings included the license and certification requirement.

There were no significant control weaknesses noted in this area.

Memorandum of Understanding (MOU) with UCLA Health

M&A personnel provide preventative maintenance and repair services for specific UCLA Health building systems on a recharge basis. An MOU was approved by FM and UCLA Health management in June 2015 that defines the preventative maintenance schedule for the specific building systems that will be serviced, trouble call procedures, and the roles and responsibilities between M&A and UCLA Health. The MOU covers the three-year period of January 2015 through December 2017, and can only be modified with mutual consent of both parties.

Work orders for the preventative maintenance and repair services are generated and assigned to M&A employees. Labor hours and materials utilized are recorded to specific work orders. Recharge rates for labor and materials have been approved by the UCLA Policy Committee on Sales Activities and Service Enterprises (POSSSE). For fiscal year 2015-16, the approved labor burden rate is 2.31 times the hourly pay rate of the employee who performs the work. For materials and contracts, an overhead charge of cost plus an additional 8.5% is added for the total amount charged. Work orders are reviewed on a daily basis by M&A administrative staff to ensure the accuracy and completeness of the charges, and are billed to recharge clients on a monthly basis.

A&AS selected a judgmental sample of 20 work orders that were completed in January 2016 for UCLA Health to verify that appropriate client approvals were obtained, the work orders were properly billed, and the rates charged were in accordance with the UCLA POSSSE-approved rates.

*Client Approvals* – The timing of client approvals is dependent on the type of work order. For estimated and fixed-priced work, the client must provide an online approval before any work can be started. Preventative maintenance work orders are approved as part of the overall preventative maintenance program and agreement between FM and UCLA Health, which has been approved by the Director of Health Systems Facilities. Due to the emergent nature of trouble call work orders, prior approval is not feasible. In the case of trouble calls, clients review and approve work orders when recharges are posted to their general ledgers. A&AS review of the sample work orders disclosed that appropriate client approvals were obtained and documented.

*Client Billing* – To verify that work orders were billed properly, A&AS reviewed billing data obtained from FM Finance & Information Systems personnel through the department’s Maximo system. In addition, work orders and associated billing information were discussed with M&A Hospital Zone Managers and the Work Production Superintendent to verify that work orders were billed appropriately to clients. Audit testing indicated that all sample work orders reviewed were billed properly to clients.

*Recharge Rates* – A&AS recalculated the labor and material rates charged for the 20 sample work orders noted earlier. Based on this analysis, it was noted that the recharge rates used in client billings were in accordance with the UCLA POSSSE-approved rates.

There were no significant control weaknesses noted in this area.

Budget and Financial Management Processes

Budgeting

A&AS met with M&A management to learn about its annual budgeting process, the time frame and division staff involved, and related departmental responsibilities. Departmental procedures for monitoring, documenting, explaining and communicating budget variances were evaluated for adequacy and conformance with the UCLA Financial Policy. Monthly budgetary information, including budget-to-actual variances, was reviewed for reasonableness on a sample basis.

Each M&A shop manager is responsible for preparing and submitting a proposed budget to their Assistant Director, Director, and Chief Operating Officer for review. A consolidated budget for all M&A shops is then submitted to the FM Finance & Information Systems Director for review with final approval from the Assistant Vice Chancellor of FM.

In terms of budget monitoring, each M&A shop manager, Assistant Directors, and Director receives a monthly budget book prepared by FM Finance & Information Systems division staff, which shows total revenue, net operating revenue, and expenses by shop. For any significant variances identified between budget targets versus actual activity, M&A management reviews and discusses the items to determine the reasons for the variances.

There were no significant control weaknesses noted in this area.

Information Systems

M&A management personnel and staff from FM’s Finance & Information Systems division were interviewed to identify and understand the various types of automated systems and applications being utilized by M&A, including hardware attributes, software application business functions, database management systems and interfaces, etc.

Additional interviews with M&A management and staff were conducted to determine the types of personally identifiable information (PII) being processed, stored and transmitted by M&A, if any. A&AS performed audit verification procedures to evaluate whether any PII accessed or maintained by division personnel is adequately safeguarded, used in a manner consistent with the purpose for which it is intended, and is necessary to perform specific job duties by the employee accessing the information.

Some personnel-related documents such as job requisitions, job applications, and job descriptions are maintained in the M&A office area in locked file cabinets. The Social Security Number and California Driver's License number for job candidates are obtained over the phone and temporarily recorded on a paper form; however, that information on the form is blacked out after it is keyed into the MyHR system and subsequently shredded. Therefore, the documents maintained in the personnel files do not contain the combination of information that would be considered PII as defined in UCLA Policy 404 – Personal Information. The files for employees hired within the past year are stored in a locked file cabinet in proximity to the M&A Administrative Specialist's front desk, and files older than one year are stored in a locked file cabinet in a separate area within the division. Access to both file cabinets are restricted to limited, authorized personnel including the M&A Director, M&A Chief Operating Officer, and the M&A Administrative Specialist responsible for maintaining the files.

There were no significant control weaknesses noted in this area.

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