FACILITIES MANAGEMENT

CLIENT RECHARGE PROCESS (CUSTOMER RELATIONS)

AUDIT REPORT #18-2001

Audit & Advisory Services

August 2018

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# Background

In accordance with the UCLA Administration fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) conducted a review of client recharge business practices that are managed by the Customer Service unit within the Facilities Management (FM) department. The Customer Service unit is part of the Customer Relations cost center within FM.

FM department personnel support UCLA’s mission by providing a variety of services to maintain and enhance buildings, grounds, and the physical infrastructure of the University. Work orders are the fundamental documents that are generated by FM to initialize, assign, and track the various categories of projects that are performed by its departmental units.

Work orders are created and posted into FM’s MAXIMO system and carry a unique seven-digit numeric bar code that allow labor and materials costs to be accumulated and then associated to a particular job number. Each job has a specific alphanumeric number that links a work order and its associated expenses with the University’s General Ledger. Any job can have one or multiple work orders associated with it, depending on the complexity of the project.

FM Customer Relations is comprised of the Trouble Call Center (TCC) and Customer Service units. State funded work order requests are handled by TCC personnel, while customer funded Facilities Service Requests (FSRs) are handled by Customer Service staff.

Additional maintenance services, repair of department-purchased equipment, and facility improvements are available through recharge or service agreements by clients completing an FSR via the FM website. Services provided to non-state-funded clients are assigned by Customer Service representatives to the relevant craft shop(s) and recharged to the requesting department.

The Customer Service unit is headed by the Customer Relations Manager and is staffed with an Assistant Manager and two customer service representatives. During fiscal year 2016-17, the unit handled 14,405 work orders.

Purpose and Scope

The primary purpose of the review was to ensure that the Customer Relations structure and controls, and the related systems and procedures surrounding recharge activities are conducive to accomplishing its business objectives. The secondary purpose of the review is to evaluate the adequacy and efficiency of internal controls. Where applicable, compliance with University and departmental policies and procedures was also evaluated.

The scope of the audit focused on controls surrounding the following Customer Service activities:

* Written Procedures
* Work Order Approval
* Timeliness and Accuracy
* Adjustments
* Management Reports

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

# Summary Opinion

Based on the results of the work performed within the scope of the audit, the Customer Relations organizational structure and controls are generally conducive to accomplishing its business objectives related to client recharge activities. However, controls and business practices could be further strengthened by implementing the following:

*Written Procedures*

* Management should complete and implement written procedures for the Customer Service unit to ensure that established business practices and internal controls are being followed and to enable management and staff to carry out their responsibilities as efficiently and effectively as possible.

*Work Order Approval*

* FSR instructions should be updated to include a requirement for requestors to list a supervisor's name in the "authorized by" field to indicate an appropriate level of approval prior to work being initiated. Supervisors should also be copied on the FSR confirmation email sent to the requestor to ensure that they are fully aware of the work being requested.

*Timeliness and Accuracy*

* Customer Relations management should send periodic reminders to craft shop personnel to ensure that they notify Customer Service staff when a work order is completed. These notifications will help ensure completed work orders are updated properly to a "complete" status and the automated system is able to close the work orders timely.

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

# Audit Results and Recommendations

Written Procedures

Various operational procedures were discussed with Customer Relations management to help A&AS understand the essential functions of the Customer Service unit.

At the time of the audit, written procedures for Customer Service business practices were in development, but not completed. Further discussion with Customer Service management indicated that regular meetings were held to discuss procedures, but a draft was not yet available for review.

UCLA Policy 360, Internal Control Guidelines for Campus Departments (UCLA Policy 360) requires periodic review of department operating procedures to ensure internal controls are being followed and improving on those controls when weaknesses are detected. UCLA Policy 360 also requires control activities, including but not limited to operating procedures, be identified and captured such that it enables management and staff to carry out their responsibilities efficiently and effectively. Without having adequate written procedures for key operational business practices and internal controls, efficiency and effectiveness of the Customer Service unit could be affected. Additionally, essential institutional and organizational knowledge could also be at risk of loss in the event of staff attrition and/or unexpected separation from the University.

Recommendation: Management should complete and implement written procedures to ensure that established business practices and internal controls are being followed and to enable management and staff to carry out their responsibilities as efficiently and effectively as possible.

Response: Customer Relations is currently drafting a procedures manual. We expect completion in early September 2018.

Work Order Approval

Meetings were held with Customer Service management and staff to obtain information about client-funded (recharge) work orders and how approvals are documented. For FSRs (on existing blankets or new blanket requests), there is an “authorized by” field where a requestor must include the name of the person authorizing the work, their job title, and the date authorized at the time of the request. For estimated fixed-price jobs (written request for an estimate via a FSR), the estimate is routed to the applicable assistant director who then assigns the job to a project manager. The customer must approve the estimate before work begins on the project.

A&AS selected a judgmental sample of 20 (10 blanket requests and 10 estimated fixed price) recharge work orders from fiscal year 2016-17 for testing. FSR detail and Job Management System (JMS) job history reports were reviewed to verify whether appropriate client approvals were obtained prior to work commencing on the job.

Although all work orders tested included an “authorized by” name and date prior to the initial work beginning, there were three instances where the requestor (an Administrative Assistant) was also the individual listed who authorized the work order. FSR instructions require requestors to include a name, job title, and date in the "authorized by" field; however, Customer Service staff indicated that they do not review the field. Without an appropriate authorization, separate from the employee listed as requestor, FSRs can be submitted without the knowledge of a supervisor or manager.

Recommendation: To strengthen internal controls, the FSR instructions should be updated to include a requirement for requestors to list a supervisor's name in the "authorized by" field to indicate an appropriate level of approval prior to work being initiated. Supervisors should also be copied on the FSR confirmation email sent to the requestor to ensure that they are fully aware of the work being requested.

Response: This issue will be addressed in the new Standard Operating Procedure which is currently under development as part of a work process improvement implementation coordinated through the consulting firm Hickling and Associates.

Timeliness and Accuracy

A&AS met with Customer Service management and staff to discuss labor and material charges, cost centers charge, material transfer sheets, and the closing of work orders. Work order job history (labor & material charges) reports, employee information from the Employee Database (EDB), material transfer sheets entries, FSR detail, and emails to verify whether work orders were reviewed to evaluate whether they were completed timely and accurately.

1. In-Progress Work Orders

Data analytics was used to identify work orders that were in-progress for greater than 180 days as of June 30, 2017. By using the Microsoft Excel function “VLOOKUP” and comparing the work order request date to set date intervals, A&AS sorted the data into specific groups (based on the principle of reverse-aging) and identified 599 work orders older than 180 days. From the 599 work orders, 10 were judgmentally selected for testing. Discussions were held with management to verify whether the status for each work order was appropriate.

Of the 10 items tested, four work orders were not properly closed. The status was noted as in-progress (“INPRG”) for these four work orders, but there was no activity on the work orders for over a year. The pertinent shops did not send a request to Customer Service staff advising that these work orders were complete (“COMP”). As a result, the work orders remained in-progress and were not closed automatically, per the established protocol.

Recommendation: Management should require that periodic reminders be issued to craft shop personnel to ensure that they notify Customer Service staff when a work order is completed. These notifications will help ensure completed work orders are updated properly to a "complete" status and the automated system is able to close the work orders timely.

Response: This issue will be addressed in the new Standard Operating Procedure which is currently under development as part of a work process improvement implementation coordinated through the consulting firm Hickling and Associates.

1. Labor & Material Charges

When a craft shop employee spends time completing work for an FSR and uses materials for the job, the work order is charged for the employee’s time (labor) and the necessary materials to complete the job.

Using the same sample of 20 FSRs from the Work Order approvals section discussed earlier, FSR work descriptions and JMS job history reports were reviewed to verify whether labor and materials appeared reasonable and related to the work description. For employees who charged labor to each FSR, A&AS reviewed EDB screens to verify whether the employee job titles and cost center(s) charged appeared appropriate. The list of materials charged to the work orders were also reviewed for reasonableness based on the nature of work performed.

Based on test work performed, labor, material, and the cost centers charged appeared reasonable and related to the work description.

There were no significant control weaknesses found in this area.

1. Material Transfer Sheets

One of the responsibilities of Customer Service staff is entering material charges to work orders from hard copy material transfer sheets submitted by craft shops. Customer Service employees manually input material charges into JMS and stamp each sheet “ENTERED” when completed.

A&AS selected a judgmental sample of 45 Material Transfer Sheets that were stamped “ENTERED” from fiscal year 2016-17, and reviewed whether material expenses were entered accurately into JMS. Based on the test work performed, materials were correctly entered into JMS.

There were no significant control weaknesses found in this area.

1. Zero-Cost Work Orders

From a listing of fiscal year 2016-17 FSRs, data analytics was used to identify work orders with $0 labor and material costs. A judgmental sample of 20 items was selected to verify whether the work orders were properly charged and/or cancelled/closed. After discussion with Customer Service staff and review of information in Maximo/JMS, these items actually had charges in a prior fiscal year. Customer Service management indicated that balances are reset to zero at the end of each fiscal year. A&AS verified whether the work orders were properly charged or closed within 60 days of being completed.

All items tested appeared to be properly charged and closed within 60 days of the completed date, either by Customer Service staff, when billing was performed, or automatically by the JMS auto-close feature. The zero balance on the 20 items reviewed was appropriate.

There were no significant control weaknesses found in this area.

Adjustments

Discussions with Customer Service staff were conducted to determine how adjustments are processed. Adjustments occur when items such as labor and material are incorrectly charged to a specific work order. Requestors send emails to the Customer Service unit to correct these errors. Customer Service processes the removal of labor and/or material charges from one work order and applies the charges to the appropriate work order.

A judgmental sample of 20 adjustment/transfer request emails were selected from Customer Service employee email accounts from fiscal year 2016-17. Recharge work order job history reports were reviewed to identify the original work order that charges were being removed from and the work order that the charges were being moved to.

All 20 adjustment/transfers tested appeared to be properly supported, authorized, and resolved. Supporting documentation included adjustment/transfer request email(s) and job history (with notes) reports showing that the requested adjustment was completed by Customer Service.

There were no significant control weaknesses found in this area.

Management Reports

A&AS reviewed management reports obtained from Customer Relations management and independent data obtained from the FM Information Technology (IT) unit to verify whether management reports are adequate for tracking workload and performance, and provide accurate and reliable information to FM leadership. The following three reports were compared to independent data that was sourced from FM IT:

* Customer Relations Completion
* Projects Waiting Approval
* Projects Waiting Estimate

Three date points were selected for testing by A&AS. The job details noted in the management reports for the tested months provided by Customer Relations management was reconciled to the independent data source provided by FM IT.

Management reports appeared adequate for tracking workload and performance and all items tested appeared to provide accurate and reliable information to FM leadership.

There were no significant control weaknesses found in this area.

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