

UNIVERSITY OF CALIFORNIA, RIVERSIDE

AUDIT & ADVISORY SERVICES

AUDIT REPORT R2025-06

FACILITIES SERVICES

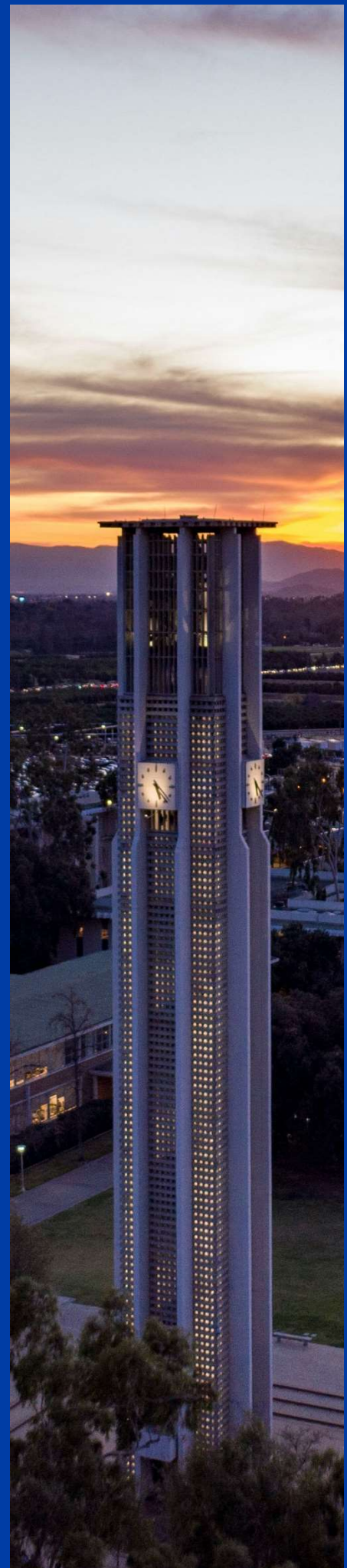
February 19, 2025

Performed By:

Todd Kucker, Senior Auditor

Approved By:

Gregory Moore, Director





February 19, 2025

To: Gerry Bomotti, Vice Chancellor
Planning, Budget, & Administration

Re: Facilities Services Audit
Audit No. R2025-06

We have completed the audit of Facilities Services in accordance with the University of California, Riverside Audit Plan. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (in effect during 2024). Our report is attached for your review.

We will perform audit follow-up procedures in the future to review the status of management corrective action plans. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2025-06 will remain open until we have evaluated the actions taken.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

We appreciate the cooperation and assistance provided by you and your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Respectfully,

Gregory Moore
Director
Audit & Advisory Services

cc: Assistant Vice Chancellor, Adam Schnirel
Chief Financial and Administrative Officer, Veronica Ruiz
Ethics & Compliance Risk and Audit Controls Committee

Executive Summary

Purpose and Scope

Audit & Advisory Services completed an audit of Facilities Services. The objective of this audit was to determine whether Facilities Services' system of internal controls results in the protection of University assets, the accurate reporting of work order charges to departments, and compliance with UC policies.

The audit focused on Facilities' processes related to payroll and compensation, procurement, work orders, and safeguarding equipment and other assets. The audit included transactions between January 1, 2024 through September 30, 2024.

We evaluated the design and effectiveness of internal controls by discussing controls with employees, by reviewing documentation supporting the processes, and by testing:

- Approved timesheets and compensation paid to employees;
- Purchase orders and Procard transactions;
- Completed work orders;
- Renovation and alteration projects managed by Facilities Services; and,
- Equipment inventory listings.

Results

Based on our audit testing, we concluded that Facilities' system of internal controls has been properly designed and is operating effectively. We identified a couple potential improvements related to documenting the review and approval of work orders, and monitoring accrued compensatory time earned by employees.

During the nine months included in the scope of this audit, more than 16,000 work orders were initiated in the work order system. For around 3,000 of the work orders, labor, materials, and other costs were manually added to recharge these costs to departments. While there are currently reviews and reconciliations of these costs, there is not good documentation of a final review and approval by a supervisor who can certify that the work order costs are accurate.

We also identified some small errors related to compensatory time (comp time) accrued by employees.

These observations and Facilities' management corrective actions are discussed in the following report.

Background

Facilities Services is part of the Planning, Budget, and Administration division. It is one of the largest departments at UC Riverside, employing around 300 career employees. The department consists of many units dedicated to providing exceptional service while maintaining an environment conducive to teaching, learning, living, working, and research for the entire campus community. Facilities Services maintains buildings, facilities, and landscapes totaling over 3 million square feet of space, 400 acres of campus landscape, and 6 miles of utility tunnels beneath the campus.

The department is organized around the following functions:

- Client Support Services
- Central Plant
- Energy & Engineering
- Maintenance Services
 - Access control, lock shop
 - Building Mechanical / Heating, Ventilation, and Air Conditioning (HVAC) Shop
 - Carpentry Shop
 - Electric Shop
 - Fire and Life Safety
 - Paint Shop
 - Plumbing Shop
 - Sheet Metal Shop
 - Sign Shop
- Environmental and Resource Services
 - Custodial Services
 - Landscape Services
 - Pest Control
 - Resource management
 - Special Events
 - Zero Waste, Recycling, and Composting

The Administrative Services and Strategic Executive Team (ASSET) supports Facilities Services by managing many administrative functions for the department, including human resources, payroll, finance administration, procurement, and policy compliance.

Operation and Maintenance of Plant at UC Campuses

The UC Facilities Manual provides an overview of the required elements of a campus program for the operation and maintenance of plant (OMP). It provides guidance for the daily work of Facilities Services by explaining requirements for maintenance and additional steps required for repairs, renovations, and alterations.

The UC Facilities Manual also provides guidance regarding how OMP is funded at UC campuses. Overall, the work completed by Facilities Services is either paid for with state (core) funds or the work is recharged to the campus customer who requested the work. Based on how

buildings were originally funded, the ongoing maintenance costs of certain buildings can be paid with state funds, while the maintenance costs of other buildings require other funding sources.

The UC Facilities Manual lists expectations for a work order system for work control. “Work order systems should be able to:

- Track work order costs including labor, materials, and contracts
- Interface with Campus financial systems
- Provide on-line work order entry and work order cost information for campus clients
- Schedule preventative maintenance
- Provide tools for job scheduling and tracking.”

Prior to this audit, Facilities Services had recently upgraded the campus work order system to FAMIS 360. During the time period reviewed in this audit (January 1 through September 30, 2024), there were 16,417 new requests for services set up in the work order system. These included services and monthly inspections of equipment charged to state funds, and services paid with non-state funds recharged to campus departments.

Observations and Management Corrective Actions

A summary of the audit testing is provided in the Appendix. During the testing, we identified areas for improvement in the following areas:

- Review and approval of work orders
- Monitoring compensatory time accrual balances

Observation #1 - Review and Approval of Work Orders

Condition – During the review of work orders, we learned how labor, materials, and other costs are input into the FAMIS 360 system to record costs charged on work orders. We noted that supervisors do not document their review and approval of detailed costs included on individual work orders. An effective review and approval process should be completed by someone knowledgeable of whether the costs included were incurred to complete the work order. This will help certify the accuracy of the work recharged to other departments.

We reviewed the work order report provided to us (work orders during January 1 through September 30, 2024) and identified that work is sometimes recharged to Federal awards. Based on internal control principles required for awards, a supervisor knowledgeable of the work completed should document their review and approval of a work order before the cost is recharged to the award.

Criteria – The UC Facilities Manual explains how OMP is funded. Overall, Facilities’ work orders are either covered by state (core) funds or are recharged to the campus customer who requested the work.

Internal control best practices require that control activities should be designed to mitigate risks. A risk related to work orders is that inaccurate costs could be recorded and charged to campus

departments. As a result, someone knowledgeable of the work completed should review that costs are accurate and formally document approval of the completed work orders.

Cause – Currently, supervisors and other employees review that work requested has been completed. Also, there is a monthly review and reconciliation of expenses. While other reviews have been set up, a certification of the accuracy of costs charged to individual work orders is missing.

Effect – Without a formal review and approval of work order costs, it would be difficult to defend the costs if they were questioned. Costs charged to awards could be disallowed by the granting agency and required to be repaid.

Recommendation – As there are thousands of work orders completed annually, we recommend that a risk-based process be established for reviewing work orders. Based on work order characteristics, such as the total amount charged to a work order and the funding source, Facilities' management should establish guidelines for documenting supervisor review and approval the costs.

Management Action Plan - Facilities' plan to immediately address this observation is to develop a supervisor review process in Smartsheets. This post-audit review process would consist of identifying all work order recharges on contracts and grants funds and creating a log of transactions for each supervisor to review. The expectation is that this review would be completed within a month of the transaction posting to the general ledger. The long-term goal is to engage with an API consultant to implement an audit process within the work order system (FAMIS360) that can be completed before the charges post to general ledger.

Expected Implementation Date – May 31, 2025

Observation #2 – Monitoring Compensatory Time Accrual Balances

Condition – UC policy and labor union contracts set limits as to the number of compensatory time hours that employees can accrue. During our review of comp time accrual balances, we identified some errors in a report which made it appear that a few employees had exceeded the allowed limits. After determining which errors were just difficulties caused by transferring data between systems, it was identified that one employee had exceeded the comp time hours allowed by policy. We also noted an instance where a very small comp time accrual balance had not been paid out to a separated employee.

Criteria – UC policy PPSM-30: *Compensation* explains the requirements related to compensatory time off. The policy states: “No more than 240 hours total (160 hours of actual time worked at time and one-half) of compensatory time may be accrued.”

The policy also explains when comp time is to be paid out to the employee: “Accrued hours of compensatory time will be paid at the employee’s rate of pay at the time of the payment:

- a. If not taken as compensatory time off within six months, or an extended period authorized by local guidelines;

- b. Upon promotion, demotion, or transfer to another department or location; or
- c. Upon separation.”

Based on their work, Facilities employees were members of three separate labor unions. The Skilled Crafts union contract (K5) limits the number of accrued hours to 180 hours for its members.

Cause – It appears that the financial system used to track comp time did not identify errors or potential issues with the comp time accruals. When the accrual data was downloaded for the audit, potentially problematic balances were identified in the report. Most of the problematic data were determined to be issues with the report and not the underlying balances. The reporting was corrected during the audit.

Effect – Undetected small errors in the comp time accruals resulted in one employee accruing more comp time than was allowed by policy and the incorrect final pay amount to a former employee.

Recommendation – We recommend the Facilities and ASSET set up a monitoring process where comp time accruals are periodically reviewed.

Management Action Plan – Facilities’ and ASSET’s plan to address this observation is to complete an in-depth audit of balances to identify employees with negative balances or balances over limits. They will then work with the Payroll & Workforce Administration team (ASSET PWA), the Campus Support Center (CSC) in Business and Financial Services (BFS), and UCPath to reconcile and correct those balances. Going forward, the finance team will develop more robust reporting to help the Human Resources (HR) team actively monitor these balances. The HR team will work closely with Supervisors and Facilities Services’ leadership to alert them when an employee is nearing the maximum allowable balance and will continue to strengthen and enforce our biannual comp time pay out process, as per the negotiated bargaining agreements.

Expected Implementation Date – June 30, 2025

Appendix – Objective, Scope, and Methodology

Audit Objective - The purpose of the audit was to determine whether Facilities Services' system of internal controls results in the protection of University assets, the accurate reporting of charges to departments, and compliance with UC policies.

Audit Criteria

During the audit planning, we identified the following criteria which was significant to the audit:

- UC Facilities Manual Volume 6 – Plant Operations and Maintenance
- BFB-BUS-43: *Purchases of Goods and Services; Supply Chain Management*
- BFB-BUS-54: *Operating Guidelines for University Supply Inventories*
- BFB-BUS-29: *Management and Control of University Equipment*
- Personnel Policy for Staff Members (PPSM)-30: *Compensation*
- Facilities employees' labor union contracts
- Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework Principles

Audit Testing Completed

The audit focused on Facilities' processes related to payroll and compensation, procurement, work orders, and safeguarding equipment and other assets. The audit included transactions between January 1, 2024 through September 30, 2024.

To fulfill the audit objective, we completed the following testing:

- Gained an understanding of UC and UCR policies and procedures related to the operation and maintenance of plant, procurement, managing equipment and inventories, and employee compensation;
- Read through Facilities employees' labor union contracts in effect during the audit;
- Discussed current processes and internal controls related to purchase orders, Procard transactions, payroll, the work order system (FAMIS 360), and safeguarding equipment and inventories with Facilities employees and ASSET employees who manage these functions for Facilities;
- Selected purchased items and services requested by Facilities employees and evaluated the resulting procurement process, including approvals, vendor selection, and documentation of fulfillment;
- Reviewed competitive bids or the sole source justifications for various purchases over \$100,000 to determine whether the purchases complied with the requirements outlined in UC Policy BUS-43: *Purchases of Goods and Services; Supply Chain Management*;
- Selected a sample of facilities employees and reviewed approvals for the time worked and the different types of compensation paid to the employees;
- Evaluated procedures for managing overtime and compensatory time off;
- Scanned the details of many work orders to gain an understanding of the varied types of work completed by Facilities employees;

- Tested costs of completed work orders covered by state (core) funds or recharged to departments;
- Compared estimates and actual costs charged to a sample of renovation/alteration projects;
- Scanned inventory listings of purchased (non-inventorial theft sensitive) equipment, tools, materials, and other supplies and considered how items were tracked and protected from theft.

Some areas were excluded from the audit scope. We did not audit the Storehouse operations as Facilities Services is currently implementing changes in this area. While we discussed procedures related to safeguarding inventorial equipment (cost over \$5,000), we did not test whether we could locate equipment, which is accounted for in a biennial physical inventory. We also did not review procedures related to deferred maintenance.

We completed the audit testing during October through December 2024.

Evaluation of Internal Controls

Facilities Services' overall objective is to provide exceptional service in maintaining an environment conducive to teaching, learning, living, working, and research for the entire campus community.

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

These objectives and related risks can be broadly classified into one or more of the following three categories:

- Effectiveness and efficiency of operations
- Reliability of reporting information
- Compliance with applicable laws and regulations

We obtained an understanding of internal controls relevant to procurement, payroll, work orders, and safeguarding assets. Based on our audit testing, we concluded that internal controls are properly designed and operating effectively.