

UCLA AUDIT & ADVISORY SERVICES



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March 20, 2015

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Facilities Management – Custodial Services Review Audit Report #15-2003

Enclosed is the audit report covering our review of key controls and procedures of the Custodial Services (CS) unit within the Facilities Management (FM) department.

The primary purpose of the audit was to ensure that the related systems and procedures surrounding the CS unit's organizational structure and controls are conducive to accomplishing its business objectives. Where applicable, compliance with University policies and procedures was also evaluated. The scope of the audit included the following activities:

- Custodial Building Inspections
- Receiving and Inventory

Based on the results of the work performed within the scope of the audit, the CS unit's internal controls and related procedures were generally adequate and effective to help achieve their business objectives. However, management could further strengthen controls by implementing the following:

Operational Procedures

- Review and update the "Supervisor's and Lead's Procedures and Protocols Number 23 – Building Inspections," as well as any other outdated procedures to reflect current practices.

Building Inspections

- Developing business practices to ensure that building inspections are performed timely, issues arising from such inspections (including their resolution) are adequately documented, and establishing a uniform means of monitoring whether custodians are performing satisfactory work.

Association of Physical Plant Administration (APPA) Standards

- Consider formalizing inspection protocols and documentation to ensure that the desired APPA standards have been met.

March 20, 2015

Page 2

Inventory Counts

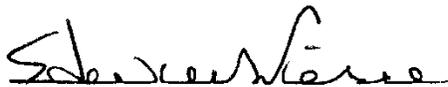
- Ensure that inventory counts for small custodial equipment items and supply inventories are being performed on periodic schedules that conform to department and University policies, and that inventory count results are adequately documented.

Periodic Automatic Replenishment (PAR) Levels

- Ensure that formal PAR levels for key supply inventory items are established and disseminated to relevant personnel.

The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

Please feel free to contact us if we can be of further assistance.



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Enclosure

cc: J. Powazek

FACILITIES MANAGEMENT
CUSTODIAL SERVICES REVIEW
AUDIT REPORT #15-2003

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Background

In accordance with the UCLA Administration fiscal year 2014-15 audit plan, Audit & Advisory Services (A&AS) conducted an audit of key controls and procedures of the Custodial Services (CS) unit within the Facilities Management (FM) department.

The CS unit is housed within the FM Maintenance & Alterations (M&A) division and provides support for 12 million square feet of space within the UCLA campus, including specialized areas such as vivaria, recreational facilities, wet and dry laboratories and patient care areas. Support is also provided for campus events and emergency response. Special services include opening campus entry doors, raising flags, monitoring campus restrooms and public space, event support, and assisting in the clean up of natural disasters. CS personnel also receive and respond to Facilities Service Requests for any routine cleaning services during the day (dusting, sweeping, mopping, vacuuming), off-master space maintenance, window cleaning, floor care, and other special projects. The CS crews are divided into three main units (Special Services, Weekend Shift, and Custodial Maintenance) to serve customers seven days a week.

As of October 2014, the CS unit had 339 full-time staff divided into a North Zone (144 employees, including four principal supervisors – 42% of total staff) and South Zone (195 employees, including five principal supervisors – 58% of total staff). Each zone is led by a senior superintendent. The superintendents report to the CS Assistant Director who, in turn, reports to the M&A Director. For fiscal year 2013-14, the CS unit had expenditures of about \$3.3 million.

Purpose and Scope

The primary purpose of the audit was to ensure that the related systems and procedures surrounding the CS unit's organizational structure and controls are conducive to accomplishing its business objectives. Where applicable, compliance with University policies and procedures was also evaluated. The scope of the audit included the following activities:

- Custodial Building Inspections
- Receiving and Inventory

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, the CS unit's internal controls and related procedures were generally adequate and effective to help achieve their business objectives. However, management could further strengthen controls by implementing the following:

Operational Procedures

- Review and update the "Supervisor's and Lead's Procedures and Protocols Number 23 – Building Inspections," as well as any other outdated procedures to reflect current practices.

Building Inspections

- Developing business practices to ensure that building inspections are performed timely, issues arising from such inspections (including their resolution) are

adequately documented, and establishing a uniform means of monitoring whether custodians are performing satisfactory work.

Association of Physical Plant Administration (APPA) Standards

- Consider formalizing inspection protocols and documentation to ensure that the desired APPA standards have been met.

Inventory Counts

- Ensure that inventory counts for small custodial equipment items and supply inventories are being performed on periodic schedules that conform to department and University policies, and that inventory count results are adequately documented.

Periodic Automatic Replenishment (PAR) Levels

- Ensure that formal PAR levels for key supply inventory items are established and disseminated to relevant personnel.

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

Audit Results and Recommendations

Custodial Building Inspections

Discussions were conducted with CS management and principal supervisors to determine the procedures, expectations, and associated documentation related to building inspections. A&AS reviewed the unit's procedures binder that was developed to provide operational guidance to leads, supervisors, and superintendents covering the breadth of CS functions, including building inspections. In addition, a population of 116 hard copy inspection forms was reviewed to evaluate evidence of supervisory review, consistency of inspection practices, identification of items needing follow-up, whether follow-up was performed timely, and how performance standards were measured. The following were noted:

A. Outdated Operational Procedures

CS personnel indicated that because of the unit's recent reorganization, formal documented inspections were being phased out. However, the existing binder of operational procedures that is used to train leads and principal supervisors still included a section detailing building inspections during the period of the audit.

The stated performance goal presented in "Supervisor's and Lead's Procedures and Protocols Number 23 – Building Inspections" is for each lead/supervisor to conduct four inspections per week or sixteen per month. Building inspection forms are used by lead custodians to document that inspections were performed and whether the custodian cleaned an area properly or improvement and/or follow-up was needed.

CS staff were only able to locate and provide 116 inspection forms from calendar years 2011 and 2012 for audit review because a number of supervisory staffing changes that occurred after 2012 affected the volume of documentation retained when new staff came on board. In addition, CS management was phasing out the

requirement for documenting periodic inspections in calendar years 2013 and 2014. Because inspections help to ensure quality of service and are a key element in supervisory oversight, A&AS reviewed all 116 available inspection documents to evaluate the extent of staff compliance with departmental procedures. The review focused on identifying evidence of required signatures, issues noted requiring follow-up, and evidence that follow-up was performed and resolved in a timely manner.

Based on a review of the inspection forms provided, A&AS noted the following:

- In 114 instances (98%), inspection forms included the required signatures by the custodian, lead, and principal supervisor.
- All 116 inspection forms included comments that indicated follow-up was necessary, but only 49 of the forms (42%) included evidence that follow-up was performed.
- An assessment of the CS units timeliness of follow-up and resolution of pending items was not possible because none of the 49 forms included a date indicating when the follow-up was performed or completed.

By not having procedures in place that reflect current business practices, there is no clear standard to evaluate staff or uniform expectations for the level of performance that management desires. In addition, a lack of clear direction on management expectations could result in inconsistencies among supervisory staff when training their employees.

Recommendation: Management should review and update "Supervisor's and Lead's Procedures and Protocols Number 23 – Building Inspections," as well as any other outdated procedures to reflect current practices. By doing so, management can help ensure that performance expectations for staff are clearly communicated, desired methods of operations are complied with, and any issues or problems can be identified and addressed timely.

Response: We concur with the Auditor's recommendation. Currently the Custodial Services Management team is assessing the Supervisor and Lead's Procedures and Protocols and modifying them to reflect current practices and processes. First draft of this report was due to the Assistant Director on February 13, 2015, and is currently being assessed. The new process is targeted to be fully implemented no later than April 1, 2015.

B. Inconsistent Building Inspections

Interviews were conducted with the CS Assistant Director, both North and South zone senior superintendents, and the six night shift principal supervisors to obtain an overview of how building inspections are performed. In discussions with the principal supervisors, it was disclosed that building inspections (performed by their lead custodians) are not performed and documented in a uniform manner. More specifically,

- Five of six principal supervisors reported that their lead custodians perform walk-through inspections nightly or weekly. The one remaining Principal Supervisor's Lead Custodian does not perform walk-throughs at all for the purpose of inspections; instead, any complaints received and their associated resolutions are recorded by the principal supervisor in a hard copy journal and in the automated SharePoint application.
- Only half of the principal supervisors indicated that building inspections are routinely documented when performed.
- Five of six principal supervisors reported that issues needing follow-up are documented, while the remaining supervisor verbally follows up on issues.
- Only half of the principal supervisors indicated that resolution of follow up items are routinely documented.

Without a uniform procedure and documentation standard for building inspections, custodial staff cannot be held fully accountable to management's expectations if building areas are not serviced properly. In addition, there is no consistent

method to monitor and track whether items requiring follow up are resolved timely or at all.

Recommendation: Management should consider implementing processes and protocols to ensure that building inspections are performed timely, issues arising from inspections (including their resolution) are adequately documented, and a uniform means of monitoring whether custodians are performing satisfactory work is developed.

Response: We concur with the Auditor's recommendation. On or about January 7, 2015, a new standard inspection form was implemented and is currently in use. This new process requires that each supervisor conduct one area inspection per week. The written report should reflect deficiencies observed during the inspection, the deficiencies are discussed with the Lead Custodian and Senior Custodian assigned to the area, and mitigation of such deficiency is to be completed within two business days. All inspection results are submitted to the Administrative Assistant for recording in a database.

C. Association of Physical Plant Administrators (APPA) Standards

In discussions with M&A management and CS unit personnel, it was indicated that CS subscribes to the national custodial standards developed by APPA. However, audit work disclosed that there are currently no formal procedures or documentation established to assess whether custodial staff achieve the level of cleanliness performance sought by M&A management, based on APPA standards. The APPA standards for custodial services are described along with associated key indicators in APPA's "Five Levels of Clean" -- Level 1 being the highest standard of clean, down to Level 5 being the lowest standard.

The indicators are grouped into five categories:

- Level 1 - Orderly Spotlessness
- Level 2 - Ordinary Tidiness
- Level 3 - Casual Inattention

- Level 4 - Moderate Dinginess
- Level 5 - Unkempt Neglect

CS personnel indicated that, given the unit's current staffing level, the staff are only able to attain a performance standard of Level 4 on a consistent basis. CS management indicated that staff are always encouraged to take pride in their assigned areas and to perform at the highest level possible. To meet APPA performance standard Level 4, the following indicators would exist:

- Floors are swept or vacuumed clean, but are dull, dingy, and stained. There is a noticeable buildup of dirt and/or floor finish in corners and along walls.
- There is a dull path and/or obviously matted carpet in the walking lanes. Base molding is dull and dingy with streaks or splashes.
- All vertical and horizontal surfaces have conspicuous dust, dirt, marks, smudges, and fingerprints.
- Lamp fixtures are dirty, and some lamps (up to 5 percent) are burned out.
- Trash containers and pencil sharpeners have old trash and shavings. They are stained and marked.
- Trash containers smell sour.

By not having formal procedures and related documentation to capture and measure staff performance, it is unclear how management would be able to gauge the extent to which a particular performance standard has been met and whether increased oversight or additional training is necessary.

Recommendation: Management should consider formalizing inspection protocols and documentation to ensure that the desired APPA performance standards have been met. Formalizing inspection protocols may also enable management to assess the extent to which custodial services staff meets the unit's desired APPA standards of performance.

Response: We concur with the Auditor's recommendation. As previously stated, on or about January 7, 2015, a new standard inspection form was implemented and is currently in use. This form reflects APPA Level 4 standards as its minimum requirement. This new process allows the CS unit to perform consistently and mitigate issues detected by the inspections.

Receiving and Inventory

After discussions with the six CS principal supervisors from the night shift, and two additional supervisors from the day shift, A&AS conducted walk-throughs of each of the main storage supply areas that are maintained by the night supervisors. Supply orders are generally filled and delivered during the night shift. Day shift crews order and are typically supplied from the closest main storage area managed by the night shift supervisors. The purpose of the walk-throughs was to physically observe the access, organization of supplies and small equipment items, and identify any logs or signage associated with supply order management. A&AS also reviewed the unit's procedures and applicable UC Business and Finance Bulletins to ascertain any operational guidance provided to CS staff on supply inventories. Lastly, a sample of supply requisitions and related receiving documents was tested for evidence of supervisory review and approval, and for proper matching of items received with supplies ordered. The following were noted:

A. Inventory Counts

Periodic inventory counts of small custodial equipment items are not being performed every three months, as required in "Supervisor's and Lead's Procedures and Protocols Number 8 – Custodial Equipment." During discussions with all six night shift principal supervisors, they each confirmed that periodic physical counts of small custodial equipment is not done. In addition, inventories of supplies among the numerous campus storage areas maintained by principal supervisors is not verified by physical count at least annually, as required in Section III (C) of UC

Business and Finance Bulletin BUS-54, "Operating Guidelines for University Supply Inventories." BUS 54 applies to "...supply inventories held for use or issue within the University when the combined inventory value of new and unissued material in a department exceeds \$50,000 at one or more locations on a campus or exceeds \$50,000 at an off campus location." Because periodic inventory counts of small equipment and supplies have not been performed, complete and reliable inventory records were not available for review. As a result, A&AS was unable to determine a specific dollar value for small equipment or supplies stored at various locations across campus.

Without reliable baseline information for both small equipment items and supply inventories, daily operations could be impacted if needed equipment or supplies are not readily available. In addition, loss or theft may not be detected timely if staff are uncertain as to target levels that should be on hand at particular locations on any given day.

Recommendation: Management should ensure that inventory counts for small custodial equipment items and supply inventories are being performed on periodic schedules that conform to department and University policies, and that inventory count results are adequately documented.

Response: We concur with the Auditor's recommendation. On or about January 7, 2015, Custodial Services management began tracking "small equipment" (with value of less than \$5,000). A report that reflects the current inventory per storage area is being generated. The inspections will be performed randomly. This inventory will be evaluated on a quarterly basis to ensure that all small equipment is accounted for.

Periodic supply inventories will be performed for all the "official CS storage areas," excluding custodial closets. The results of these inspections will be maintained on a centralized database that provides up-to-date inventory counts with

corresponding dollar amounts. Periodic equipment inventories shall be conducted every 3rd Tuesday in January, April, July, and October of each year while annual supply inventories shall be conducted in December, beginning December 2015. This process will supplement the yearly inventory from FM for all equipment over \$5,000.

B. Periodic Automatic Replenishment (PAR) Levels

The CS unit does not utilize a formal system of "PAR" levels for its main supply storage areas that are maintained by principal supervisors or for custodial closets where individual custodians store their supplies for daily use. PAR refers to the threshold level of supplies where items should be re-ordered to ensure continuous operations.

The CS unit's "Supervisor's and Lead's Procedures and Protocols #6 - Ordering Supplies" places responsibility on the lead/supervisor to ensure that custodians have adequate supplies to perform their responsibilities. Procedure and Protocols #6 indicates, "Paper and cleaning supplies are based on par levels. Ensure that each custodial closet has the proper par level required to last them the week."

During site visits to each of the night shift principal supervisor's main supply rooms, A&AS noted that there was no PAR level signage in any of the rooms, nor any shelf labels where items were stored. Supervisors indicated that there were also no specific signs or labels for individual custodial closets that indicated particular PAR levels for either requesting or re-ordering supplies. Typically, supply re-ordering has been based on each custodian or principal supervisor observing trends in usage for a given area or building. As a result, the principal supervisor needs to keep a mental note (or separate hard copy reference) of the desired PAR levels for each of the 37 base items that are on the custodian's supply requisition.

By managing the supply order process without the structure of formal PAR levels, CS is not able to effectively monitor supply utilization or comply with its own internal procedures in a uniform manner. Moreover, controls over stock inventory volume are weakened when ordering thresholds have not been established and then widely disseminated.

Recommendation: Management should ensure that formal PAR levels for key supply inventory items are established and disseminated to relevant personnel. Established PAR levels should then be posted in the main storage areas that are maintained by principal supervisors. Management should also consider whether it would be beneficial to post these re-order thresholds in individual custodial closets.

Response: We concur with the Auditor's recommendation. After assessing this recommendation in February 2015, the Department completed installing PAR level signage in the main storage areas maintained by principal supervisors. All these areas now have PAR level signage.