

**UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT & MANAGEMENT ADVISORY SERVICES**

**Facilities Management
Custodial Services
Audit & Management Advisory Services Project # 17-50**

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Fieldwork Performed by:

Katherine Hanke, Staff Auditor

Reviewed:

Tony Firpo, Manager

Approved by:

Jeremiah J. Maher, Director

MANAGEMENT SUMMARY

Background

As a supplement to the fiscal year (FY) 2016-17 audit plan, Audit and Management Advisory Services (AMAS) conducted an audit of Custodial Services, an operating unit under Facilities Management within Finance, Operations & Administration. The goal of Custodial Services is to provide a physically clean, safe, and healthy environment for the campus. This unit had fund sources of approximately \$14 million in FY16 (approximately 91% general funds and 9% recharge).

Purpose and Scope

The purpose of this review was to evaluate the business operations of Custodial Services. The objectives of the review were to assess:

- Key operational controls;
- Financial management; and
- Efficiency and effectiveness of operations.

To address the audit objectives, we interviewed personnel from Custodial Services business office. We also reviewed financial information and surveyed clients who utilize services provided by Custodial Services on a recharge basis.

Conclusion

Internal controls over accounting and administrative activities are functioning appropriately. In addition, our survey indicated that clients are satisfied with services provided by Custodial Services.

At June 30, 2016, Custodial Services had a deficit of \$134,910 (\$77,165 within the recharge funds category and \$57,746 in the general funds category). The campus implementation of the Common Good Assessment (CGA) in January 2016 directly contributed to the deficit in the general funds category. The largest component of the FY16 CGA was IET voice and data services. However, because of the nature of their work, most custodial personnel do not use IET services at the same levels as most other campus departments.

The CGA was projected to be a budget-neutral change for most campus units; however, management has estimated that the CGA had a detrimental impact of approximately \$63,000 in FY16, which approximates the amount of the general funds deficit of \$57,746.

Management has noted that the FY16 year-end deficit is not worrisome because: (a) the deficit is less than 1% of its annual budget; and (b) Facilities Management has several funding sources available to cover the deficit. Nevertheless, policy requires campus departments to close the fiscal year in a solvent condition, so we are recommending that management take steps to ensure that campus policy is followed.

We are also recommending that management take two minor actions to improve administrative procedures regarding policies and processes surrounding its recharge operations.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT CORRECTIVE ACTIONS**A. The campus establishment of the Common Good Assessment (CGA) impacted the finances of Custodial Services, including contributing to its FY16 year-end deficit position of \$134,910.**

At June 30, 2016, Custodial Services had a deficit of \$134,910 (\$77,165 within the recharge funds category and \$57,746 in the general funds category). The campus implementation of the CGA directly contributed to the deficit in the general funds category. The largest component of the FY16 CGA was IET voice and data services. However, because of the nature of their work, most custodial personnel do not use IET services at the same levels as most other campus departments.

Management has estimated that the net impact of the CGA for January through June 2016 was approximately \$63,000, which approximates the amount of the general funds deficit of \$57,746. As of December 2016, central campus is considering implementing changes to the CGA for FY17; as a result, the continuing financial impact of the CGA on Custodial Services is unclear.

Management has noted that the year-end deficit is not worrisome because: (a) the deficit is less than approximately 1% of its annual budget; and (b) Facilities Management has several funding sources available to cover the deficit. Nevertheless, PPM-330-65, *Fiscal Closing*, (10/3/12), states in section II.B, "Campus departments are required to close the fiscal year in a solvent condition." Also, at the time of its most recent rate approval in FY16, Custodial Services was directed by central campus to clear its deficit.

Recommendation

Custodial Services should establish fiscal year-end close procedures to be compliant with PPM 330-65.

Management Corrective Action

By August 15, 2017, Custodial Services will establish fiscal year-end close procedures to ensure compliance with PPM 330-65.

B. Custodial Services has not documented certain key business office processes and procedures surrounding Service Level Agreements with customers.

Custodial Services provides services to certain self-supporting campus customers on a "fee for service" (recharge) basis, utilizing Several Level Agreements (SLA), which provide the foundation for monthly billing procedures. These SLAs are renewed annually and require Custodial Services to obtain current account information as well as the scope and annual cost for these services.

Although we identified no audit findings regarding SLAs or the associated billing processes, we noted that Custodial Services has not documented its policies and procedures, which would be considered a best practice. Both the manual billing process and the annual updating of the SLAs are important processes and if not done correctly, or in a timely manner, could negatively impact Custodial Services.

Recommendation

Custodial Services should document monthly billing process and also the annual process for updating the Service Level Agreements.

Management Corrective Action

By June 15, 2017, Custodial Services will create policy and procedures documentation for both the monthly recharge billing process and also the annual updating of Service Level Agreements.

C. Custodial Services has not yet developed procedures and a report to reconcile the campus' new work order system with its billing information in the Kuali Financial System (KFS).

Facilities Management has recently implemented a new work order system – the web-based Asset Management System (AMS) – to replace Maximo, and Custodial Services has begun using the AMS in FY17. AMS is a work-order system rather than a billing system, so Custodial Services needs to develop reconciliation processes/reports to ensure that all work orders processed in AMS are ultimately billed through KFS. For instance, Custodial Services needs a mechanism in place to be able to identify if any charge batches are not properly uploaded to the general ledger.

Recommendation

Custodial Services should develop and implement procedures to reconcile work orders from the Asset Management System to billings in KFS.

Management Corrective Action

By October 15, 2017, Custodial Services will develop and implement procedures to reconcile work orders from the Asset Management System to billings in KFS.
