**City of Baltimore
Department of General Services**

**Performance Audit Report for Fiscal Years
2011, 2012, 2013 and 2014**

November 2016

November 30, 2016

To the Honorable Joan M. Pratt, Comptroller
and other Members of the Board of Estimates
City of Baltimore

SB & Company, LLC (SBC) has performed Performance Audits of the areas listed below within the City of Baltimore Department of General Services (the Department). The purpose of this report is to communicate the results of the Performance Audit observations and applicable recommendations. The areas we tested were:

- Fleet Management – Fuel Consumption & Fuel Inventory
- Fleet Management – Preventive Maintenance
- Fleet Management – Contracted Services
- Facilities Management – Building Management
- Facilities Management – Contracted Services

Our services were performed in accordance with the compliance audit standards issued by the American Institute of Certified Public Accountants and the United States Government Accountability Office.

This report is intended solely for the information and use of the Baltimore City Council and the Department of General Services and is not intended to be, and should not be, used by any other party, with the exception of oversight agencies for the performance of their oversight responsibilities.

Hunt Valley, Maryland

SB & Company, LLC

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Executive Summary

We have summarized the results of the five areas reviewed and tested for the City of Baltimore Department of General Services (the Department) in the accompanying report. For each area, we describe the internal control process that was in effect for the Department for the periods under review. We also summarize the results of the testing for each testing objective. We identify the exceptions noted during the testing phase of each performance area. We have identified several recommendations in each performance area. We believe these recommendations can help strengthen the internal controls over fuel inventory, preventive maintenance, and record keeping for building maintenance.

Fleet Management – Fuel Consumption and Fuel Inventory

Background

The mission of the Fleet Management Division is to support customer agencies in the delivery of vital city services by providing reliable access to vehicles, equipment, and service facilities. The Division's goal is to work closely with their customers to ensure the provision of the highest quality product in the most cost-effective manner.

Fleet operates one main maintenance facility, the George L. Winfield Fleet Maintenance Facility. In addition to the main facility, there are seven sub-stations at various locations.

Fleet is responsible for the maintenance and fueling of more than 5,500 pieces of equipment (including vehicles and other motorized equipment). It operates four (4) sites fuel facilities, and maintains oversight of an additional thirteen (13) sites and four (4) mobile fuel tanks.
Another key responsibility of the Fleet Department is asset management which includes monitoring of the fleet and implementing the approved acquisition and disposal process.

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The City of Baltimore fleet is provided with approximately 4 million gallons of fuel annually to support agencies in the delivery of vital city services. Fleet Management is responsible for monitoring fuel consumption in order to ensure that fuel consumed by each vehicle is reasonable.

A key risk with fuel usage is the potential for fraud and abuse. Good fuel management practices include controls that reduce the risk of potential fraud or abuse.

High fuel consumption is often caused by vehicles in poor mechanical condition, while low fuel consumption reports may result from errors in the process, such as a wrong odometer reading or under reporting of mileage.

Objectives, Scope and Methodology

The performance audit included the following objectives:

1. Determine how fuel consumption is monitored for vehicles and equipment in the fleet;
2. Determine how high fuel consumption is investigated in order to detect & prevent pilferage and dispose of inefficient or old fleet;
3. Determine how information is used for disposal reporting and inventory tracking;
4. Determine if key controls are in place over fuel inventories at filling stations and determining whether they conform with best practices.

Department's Process – Fuel Consumption & Fuel Inventory

Fuel Consumption Process

Every City vehicle or asset that consumes fuel is assigned an asset number and included in the E.J. Ward Fuel Management System (Ward). In addition to keeping track of fuel inventory, the system is used to record and track the fuel issued to vehicles or other assets. Ward interfaces with the FASTER system that is used to track maintenance costs and therefore the data on repair & maintenance and fuel consumption for each vehicle is available at one location.

For older vehicles, the Division grants city employees fuel access by the vehicle card, which recognizes the vehicle number and the latest mileage input by the employee.

For newer vehicles, the Division grants city employees fuel access by installing a Vehicle Information Transmitter (VIT) device on the vehicle. The VIT reads the vehicle's information including vehicle type and mileages. When an employee inserts the nozzle into the tank, the hose module on the nozzle will link to the VIT device and the fuel pump will recognize the vehicle's information.

In addition to vehicle recognition controls, there are License Plate Recognition (LPR) cameras in place at two (i.e. Front Street and Biddle street) of Fleet's four facilities that are used to recognize the tags of vehicles being fueled. Tag recognition prevents unauthorized vehicles from fueling. Each employee is allowed a maximum of three times of fuel filling in one day.

Every time an employee is filling the fuel, the Ward system records the time of consumption, the vehicle number and odometer, and the employee's information. The Ward system catches the fuel amount that is dispensed. The process is an on-line, real-time process, which helps the Division to timely keep track of fuel consumption.

Fuel Inventory

The Ward system is in use at all 4 Fleet facilities, as well as an addition of 6 agency-operated sites and the mobile fuel trucks. Of the 17 fueling facilities, 10 interface directly with Ward, and therefore consumption data is uploaded into the system directly from the stations' pumps. The other 7 are not interfaced with Ward and data is entered manually by Fleet Management Division staff. This means that 10 fuel stations including the two largest stations maintain a perpetual inventory system, while 7 stations are updated at the end of every day.

Each site location sends a daily inventory control form to Central Facility on a daily basis. Site attendant observes beginning totalizer and ending totalizer every 24 hours. The online system calculates the volume dispensed during the day by pump and then totals the tank level. Site

attendants at the Front Street and Biddle Street facilities also records the fuel level in the tanks by reading, VEEDER-ROOT machine every 24 hours, which shows the perpetual fuel inventory. Meanwhile, a site attendant measures the fuel by dipping sticks in the tanks and converts stick level to amount of gallons by using the conversion chart. The Ward system has a function which tracks the fuel level in tanks and reminds the Division to order fuel if below a certain level. The Division also reconciles the daily inventory control form with consumption records in the Ward system. Any difference will be reported as unaccounted fuel to CitiStat if the dispensed amount by totalizer is over or under dispensed amount shown in the Ward system.

Additionally, Fleet reports to the State of Maryland's Department of the Environment on inventory discrepancies using a Monthly Inventory Reconciliation Form from each site that shows the daily overage or shortage.

Results

1. *Determine how fuel consumption is monitored for vehicles and equipment in the fleet.*

We interviewed the management and staff of Fleet Management to establish whether consumption by vehicle is reported and monitored by the division and the user departments. We were informed by staff at Central Garage that fuel consumption for each vehicle is supplied to departments only if it is requested. We were also informed by the Chief Fiscal Officer of the Agency that since 2012, all agencies are able to obtain fuel consumption information by vehicle directly from FASTER by using a tool designed for fleet managers named SSRS (Sequel Server Reporting System).

The Agency informed us that another control in place for managing fuel consumption per vehicle or equipment, is the use of maximum transaction gallons, based on the tank capacity. In addition, vehicles are limited to only 3 fuel transactions per day. Exceptions to this rule are applied to the Fire and Police Departments that have unlimited transactions. The Solid Waste's refuse collection load packers are limited to five transactions per day.

We observed that fuel consumption data for each vehicle or asset during the performance period is available in the FASTER system. The information available includes monthly fuel consumption, annual fuel consumption and Miles per Gallon (MPG) consumed.

2. *Determine how high fuel consumption is investigated in order to detect & prevent pilferage and dispose of inefficient or old fleet.*

Understanding that Fleet Management does not monitor fuel consumption for unusual patterns, we held a meeting with one agency, the Fire Department, to understand information provided or available regarding fuel consumption and considered whether there are processes in place to detect excessive consumption.

Findings

Although fuel consumption information is available for each vehicle, there is no specific process in place to monitor or review for unusual patterns, especially high consumption that could result from pilferage. For example, the Fire Department has over 370 vehicles, but we saw no evidence that fuel consumption is monitored, reported or reviewed.

In addition, we found that although there are limits on the quantity of fuel per transaction and the number of transactions per day, there are no limits on the quantity of fuel assigned a specific vehicle or equipment every month or quarter.

Recommendation

See recommendation I. under objective 3 below.

3. Determine how information is used for disposal reporting and inventory tracking.

SBC discussed with management how fuel consumption data is utilized in the process of determining fleet items to be disposed or replaced. Fleet performs a Utilization Study of vehicles and equipment and fuel consumption is a key criteria used to determine if a vehicle is being utilized at rate similar to other vehicles in the same classification. Vehicles that are deemed to be underutilized are recommended for Fleet Reduction and removed from the fleet.

Recommendation

I. Ensure Miles per Gallon information is reported for each vehicle

We recommend that a process be put in place whereby actual MPG information is monitored for each vehicle in the fleet on a periodic basis. This information could be compared with the standards established by the manufacturer and with results achieved in previous periods. User agencies would have internal process to identify and investigate instances of unusually high or low fuel consumption and, where necessary, take corrective action. It could also be used in the process of identifying old/inefficient assets that could be replaced or disposed.

Results (continued)

4. ***Determine if there are controls in place over fuel inventories at filling stations and determine whether they conform with best practices, for example:***

  a. *periodic physical inventory taking*
  b. *restriction of access & security of premises*
  c. *reconciliation of physical inventory to perpetual records*

SBC had several meetings with the staff of the Fleet Management Division and discussed the process for physical inventory verification and comparison with the perpetual records and adjustment of physical inventory. We were also provided with the Policies & Procedures of the Fleet Management Division. We noted that the physical inventories are taken on a daily basis by fleet management personnel. We performed a site visit to Central Garage Facility and Midtown Facility to ensure that the process of fueling was operating in accordance with the established process as explained to us by the staff. We observed that fuel access is restricted by vehicle card for older vehicles or VIT/Canceiver installed in newer vehicles.

Findings

Our tests confirmed that there is rigorous monitoring of fuel at each station. Fuel is measured every day and consumption and fuel receipts are reconciled on a daily basis. We noted that the daily inventory control sheets do not compare physical inventory of fuel as measured daily at each station with the ending inventory per the Ward system. The ending inventory per perpetual system is not included on the daily reconciled inventory control sheet.

We noted that all fuel measurements are performed by the respective station personnel. There is no process for periodic inventory taken by a third party not responsible for custody or recording of fuel.

Recommendations

II.   Include Physical Inventory Measurement on Daily Count Sheets

In order to enhance controls over inventories, the inventory volume per Ward at each station should be recorded on the daily count sheets and compared with the daily physical measurement. Consider including on the Citistat report a comparison of the physical count compared to the perpetual inventory system, in addition to the inventory consumption comparisons

III.   Third Party Measurement of Inventory

We recommend a process be put in place for fuel inventory to be measured and confirmed by either an outside party or City staff independent of the fuel management staff. This third party would enhance the strength of the physical inventory control.   This process could be implemented on a cycle basis.

Fleet Management – Preventive Maintenance

Background

Preventive maintenance is scheduled by Fleet Management for each working vehicle and equipment in order to reduce the likelihood of an unexpected breakdown or failure. The FASTER system has been used since 2002 to track each vehicle. In addition to asset inventory information, the system also serves as a database to track the maintenance history and costs, helping the department track preventative maintenance and reduce downtime.

Routine maintenance for vehicles and equipment should occur on a regular basis in order to reduce the likelihood of major breakdowns that are high cost and result in an aging fleet. A consequence of major breakdowns is that fleet is not available for use in providing services to the City and needs to be replaced more frequently due to shorter vehicle and equipment lives.

The performance audit will included determining the following objectives:

1. Determine how preventive maintenance is scheduled and monitored to ensure it occurs on a routine and timely basis;
2. Determine how preventive maintenance compliance is reported; and
3. Determine how recurring incidents of non-compliance are corrected or resolved.

Department's Process

All of the City's vehicles, other pieces of stationary and motorized equipment require Preventive Maintenance (PM) during their lives. Preventive Maintenance is scheduled using the FASTER system maintained by the fleet division. FASTER includes all vehicle and equipment information, such as asset number, date of purchase, mileage and maintenance records.

The goal and primary mission of the City of Baltimore's fleet organization is to maximize the availability of vehicles so that its customers can productively fulfill their missions. The focus of the PM inspection process is to minimize unscheduled incidents (i.e., downtime) of repair and to return vehicles requiring repair to service in as little time as possible. The PM inspection process must be used to document all deficiencies to properly repair each vehicle. The City has aligned its PM procedural work instructions to expedite the completion of the inspection task efficiently. These include protocols for smoothly passing the PM from one shift to the next, from one technician or shop to another, and from the City shop to a vendor, if necessary. The City's PM procedures provide instructions for following up on repairs noted during the inspection process.

The Automotive Specializations Supervisor is in charge of setting up PM Cycle for fleets. PM is scheduled by PM Cycles, which is input into the FASTER system. When the PM is finished, the

technician enters a repair code and in/out time of the vehicle into FASTER. Afterwards, the next due date will be automatically populate in the vehicle record. Drivers from city agencies will receive a window sticker on the vehicle and a work order report, both of which show the next due date of PM. The Division also expects city agencies to run PM reports periodically and provide proper notification of PM due for agency vehicles. The Fleet division reports to city agencies the overdue vehicles on a frequent basis by sending notification emails by the Automotive Specializations Supervisor on a monthly basis. The Fleet division provides bi-weekly reports to CitiStat for vehicles with three months or more overdue PM.

Results

1. ***Determine how preventive maintenance is scheduled and monitored to ensure it occurs on a routine and timely basis.***

SBC selected a sample of 40 assets each year from FASTER and reviewed the records for scheduled and actual maintenance during the performance period in order to determine if it occurred in accordance with the division policy. We agreed the data in the FASTER system back to the work order documenting the service provided on the vehicle.

We found that all of the assets selected during the performance period, a total of 160, were duly assigned a preventive maintenance schedule. The schedule ranged between 1 and 12 months. The actual date of maintenance was in the system and the next schedule date was also included.

2. ***Determine how preventive maintenance compliance is reported.***

SBC discussed with management the reporting available from the FASTER system to monitor compliance with division standards for anticipated/preventive maintenance.

The Division reports to city agencies the overdue vehicles on a frequent basis by sending notification emails. The Division also provides bi-weekly reports of Preventive Maintenance overdue by three months or more.

SBC requested the agency to provide copies of the bi-weekly reports that were issued during the performance period. We noted twenty-six reports for each year for a total of 104 reports.

During our testing of the FASTER maintenance information for our sample selections, we ensured that each item tested was correctly excluded/included from the overdue reports. In addition, we sampled e-mail correspondence between Fleet management and city agencies where overdue vehicles were communicated to the agencies.

Finding

Of the 160 items selected for testing during the performance period, we found the following instances where equipment was overdue by more than three months:-

Year	Items Tested	Instances of Vehicles overdue by more than 3 months	Instances of Equipment overdue by more than 3 months
FY 2011	40	2	4
FY 2012	40	2	3
FY 2013	40	3	2
FY 2014	40	8	2

The overdue vehicles were included in the bi-weekly CitiStat reports, but the overdue equipment was not. The Agency informed us that equipment is excluded from CitiStat.

The CitiStat reports for May and June 2012 were missing.

Recommendation

IV. Report Equipment Over-Due for Preventive Maintenance

We recommend that the Agency put in place procedures for reporting equipment overdue for PM by more than three months.

3. Determine how recurring incidents of non-compliance are corrected or resolved.

We observed that in addition to including the overdue assets in the bi-weekly CitiStat report, emails are sent to the user departments. Furthermore, during an interview with the Fire Department, the responsible officer confirmed receiving reports of vehicles overdue for PM.

Finding

There do not seem to be actions in place to incentivize or penalize the agencies to bring overdue vehicles or other assets for PM.

Recommendation

V. Implement Penalties for Overdue Preventive Maintenance

We recommend ensuring all overdue preventive maintenance is properly reported to agencies to ensure that they can schedule the PM as soon as possible. We also recommend implementing penalties to drivers/agencies that do not come in for PM. Consider cancelling or limiting use of fuel cards for vehicles that exceed PM maintenance by a set parameter.

Fleet Management - Contracted Services

Background

The Fleet Management Division spends approximately $13 million annually on contracted vendors for a number of services including:
- engine rebuilding;
- body repair and painting;
- machining services;
- transmission;
- electrification; and
- glass repair and installation

The value of contracted services has increased by an average of $1 million per year.
Use of contractors requires processes in place to ensure that services have been provided in accordance with the contract/order before the supplier is paid.

The risk with contracted services is that substandard work is performed or the contract work is not performed at all, but the contractor is paid.

Objectives, Scope and Methodology

The performance audit included the following objectives:

1. Determine if contracted services are procured in accordance with the procurement policy of the Department;
2. Determine how services are monitored for compliance with terms of the contract;
3. Determine how services are verified prior to approval of payment;
4. When multiple contractors are procured for the same services, determine how contractors are selected for a work order; and
5. Determine how contractor performance is reviewed and evaluated.

<u>Department's Process</u>

The Fleet Division contracts are procured using a process whereby vendors submit bids. Whenever the Division needs a new contract service, the Accounts Payable Manager makes a contract requisition through CitiBuy system. The Fiscal Supervisor and the Division Chief approve the requisition in CitiBuy. The purchasing department will make the final approval before the Procurement Officer invites vendors to bid. After bidding, the contracts are selected and approved by the Board of Estimates. Contract amount and terms are entered into CitiBuy after Board approval.

When repair work needs to be performed, a work authorization form is completed by the technician and approved by the supervisor. The work authorization then is reviewed by the Division Chief and the contractor is selected. The Accounts Payable Manager creates a released requisition and inputs the PO number in CitiBuy. Each PO contains one to multiple work orders. Each work order is for one work authorization. When the service is completed, the Division receives invoices from the contractor and records invoice amounts on a grey sheet through the Fleet Payment Center, a system for the Division to keep their own record. Meanwhile, fuel system and AP Manager also creates a receipt in CitiBuy by verifying and double checking the labor and parts fee adhered to the contract terms. The Fiscal Supervisor then approves the receipts in CitiBuy and makes sure the amount charged is reasonable, and then the Finance office in Downtown pays the invoices.

Results

1. *Determine if contracted services are procured in accordance with the procurement policy of the Department.*

SBC obtained the supporting contracts for 25 purchase orders (POs) out of 170 POs for fiscal year 2011, 25 out of 200 POs for fiscal year 2012, 25 out of 236 POs for fiscal year 2013, and 25 out of 244 POs for fiscal year 2014. We tested to confirm the contracts were properly approved in accordance with the procurement policy. No exceptions were noted.

2. *Determine how services are monitored for compliance with terms of the contract.*
3. *Determine how services are verified prior to approval of payment.*

SBC performed testing of purchase orders for the contracts reviewed, as noted in step 1, during the performance period. We requested a listing of all invoices related to the purchase orders of the contracts during our performance audit period. The listing was provided from the Citibuy system. We tested the invoices to ensure the price per the contract was in agreement with the price on the invoice and the invoice was approved by the department prior to payment. The approval sign off by the department is the Fiscal Supervisor. We also requested the total invoices paid per the general ledger for each of the contractors covering each contract period in order to test whether the total payments were within the contract terms. We were able to obtain reports from Citibuy that showed the amount of invoices issued against a contract and compared the cumulative amounts to the contract amount.

4. When multiple contractors are procured for the same services, determine how contractors are selected for a work order.

The Finance Department's Bureau of Purchases, in its creation of a contract, designates vendors as 1st, 2nd or 3rd call based on their selection criteria. When selecting a contractor to perform a particular service, Fleet adheres to the ranking already established per the contract, and initiates contact beginning with the first call. Services are procured from the 2nd or 3rd call vendors in instances where, for example, the preceding ranked vendor(s) is unable to provide the service in a timely manner, does not have the required parts on hand, etc.

5. Determine how contractor performance is reviewed and evaluated.

The Division evaluates contractor performance by checking and inspecting the work performed on each service requested. Supervisors are mainly responsible for ensuring services requested are properly performed. If there are contractors not in compliance with the work requirement, the Division will contact the contractors to determine the reason for noncompliance of performance. The Division also keeps record of bad performance report, which helps the Division to select and renew contracts.

Facilities Management – Building Management

Background

The Facilities Management division is responsible for providing maintenance and repair for municipal buildings, owned by the City of Baltimore. There are more than 500 buildings, of which 84 are core buildings. The tenants of the buildings are various Departments of City Government.

The services provided to tenants include:
- Security
- Building repair & maintenance (including carpentry, electrical, plumbing & elevator)
- Utilities (water, gas, electricity)
- Cleaning & Garbage collection
- Sidewalk clearing & gardening

Objectives, Scope and Methodology

Our audit of Facilities Management will focus on management of buildings and will include buildings occupied by the City of Baltimore, Leased Buildings and unoccupied buildings. The key risk with building management are that buildings may be occupied by tenants without valid lease agreements.

The performance audit will cover the following objectives:

1. Determine how records are maintained of all buildings that DGS has responsibility for;
2. Determine the process in place to track and maintain un-occupied buildings under DGS and ensure that they are inspected in accordance with City Policy; and
3. Determine the process in place to ensure that occupied buildings under DGS are leased in accordance with City Policy.

Department's Process

SBC held meetings with the Real Estate Officer, Department of General Services, and was provided with a list of all the buildings managed by the agency in 2011, 2012, 2013 and 2014. This list comprised of 63 buildings. We were informed that buildings are allocated to the Agency by City Council. We were also informed that leases are renewed annually and only two of the buildings have tenants that are not City Agencies.

The agency categorizes buildings in 5 classes based on the agency holding the asset and the extent of services provided. The most extensive services include security, utilities, janitorial and pest control.

The Real Estate Charter § 5 Leasing City Property the Department of Real Estate is authorized to lease any building or parcel of land (or any other real property) not needed by the City for public purposes on a month-to-month basis, unless otherwise provided by ordinance. It is also authorized to lease such property for fixed terms provided such leases are first approved by the Board of Estimates (City Charter, 114).

The process that is implemented by the Department of Real Estate is as follows: (1) a request for space is sent to Real Estate by another City Agency; (2) the request for space will be given to one of their Real Estate Agents that work in the Department of Real Estate; (3) The Real Estate Agent that is selected to find the space will set up a meeting and/or correspondence with the Agency that was requesting the space to find their desired space needs; (4) The Real Estate Agent will start looking for the desired space that was requested by the City Agency. Once options have been identified, a meeting and/or correspondence will be set to discuss the some of the desired space that was located; (5) The Real Estate Agent will take the appointed representative from the requesting agency to show them the space that could possible work for their program's needs. If the desired City-Owned property does not work for the agency's needs, privately own property will be considered. If a City- Owned property has been selected, a Lease agreement will be negotiated by the requesting agency and the servicing agency that has jurisdiction of the building that has been requested. The Real Estate Agent then acts like a middle man between the two agencies in negotiating the lease terms.

Results
1. Determine how records are maintained of all buildings that DGS has responsibility for.
2. Determine the process in place to track and maintain un-occupied buildings under DGS and ensure that they are inspected in accordance with City Policy;

SBC requested a list of all buildings managed by DGS during the performance period. We were provided with one list of 63 buildings which represented the building DGS was responsible for 2011 through 2014. We selected 15 buildings and requested a list of tenants for each building and copies of their lease agreements for the performance period.

From the 15 buildings selected for testing, we performed a site visit to three buildings to confirm the buildings were occupied, to observe the condition of the buildings and understand whether the services in the contract were being provided.

Findings

For the 15 buildings selected for our test, we found the following instances where the buildings were occupied but there were no lease agreements in place:

For fiscal 2014

Building Name/address	Number of Tenants	Number of Tenants without Lease Agreements
601 E. Fayette Street	1	1
500 E Baltimore Street	1	1
5710 Eastern Avenue	1	1
10901 Notchcliff Avenue (Gunpowder Range)	1	1
Head Start, 5001 Park Heights Avenue	1	1

For fiscal 2013

Building Name/address	Number of Tenants	Number of Tenants without Lease Agreements
1515 W. North Ave. (Druid Health Center)	1	1
1000 Cathedral Street	1	1
601 E. Fayette Street	1	1
500 E Baltimore Street	1	1
5710 Eastern Avenue	1	1
5225 York (Grovans Multi-Purpose Center)	3	1
10901 Notchcliff Avenue (Gunpowder Range)	1	1
Head Start, 5001 Park Heights Avenue	1	1

On November 23, 2016, we performed site visits to three locations, 3939 Reisterstown Road, 1400 Federal Street, and 5225 York Road. We performed a walkthrough at each of the three locations, inquiring about and noting the tenants occupying the buildings and then compared what we observed with the records provided to us by the Agency.

Our observations were as follows:

3939 Reisterstown Road
These are the tenants in the building;
- o Northwest Community Action Center (Suite 105, no lease agreement)
- o ABA Health Services (Suite 204, lease agreement in file)
- o New Vision Youth Service (Suite 204, lease agreement in file)
- o Housing Inspections Suite (Suite 206, lease agreement in file)
- o The Park Heights Renaissance (Suite 268, lease agreement in file)

1400 Federal Street
These are the tenants in the building;
- o Mayor Office of Human Services (lease agreement in file)
- o Oliver Community Association (lease agreement in file)
- o Recreations and Park (No lease agreement)
- o Dawson Center (No lease agreement)

SBC noted that two tenants without lease agreements are not on the list provided by DGS and these tenants do not have lease agreements. Also, the building is in need of repairs in the stairwell and on the 2nd floor.

5225 York Road
These are the tenants in the building;
- o Community Action Center (lease agreement in file)
- o Council Man Henry (lease agreement in file)
- o People's Health Center (lease agreement in file)
- o Mayor Office of Human Services (No lease agreement in file)

SBC noted that MOHS is not on the list provided DGS.

Recommendations

VI. *Ensure Lease are in Place for all Tenants*

Ensure lease agreements are in place for all tenants occupying buildings managed by the Agency.

VII.   *Updated List of Tenants*

We recommend a process be implemented to ensure that the list of tenants in each of the 63 buildings managed by the Agency is kept updated and complete.

3. ***Determine the process in place to ensure that occupied buildings under DGS are leased in accordance with City Policy.***

The Department of Real Estate is the agency that identifies the city property for lease. Once a building is identified, a standard lease template is used to generate the terms of the lease with the other agency.

Facilities Management – Contracted Services

Background

In addition to services provided directly by employees, a number of services are contracted to third parties including security, HVAC repair, cleaning, clearing and certain repair & maintenance services.

The key risk with contracted services is the contractor receiving payment for services that have not been performed or have been partially performed.

Objectives, Scope and Methodology

The performance audit included determining the following objectives:

1. Determine if contracted services are procured in accordance with the procurement policy of the Department;
2. Determine how services are monitored for compliance with terms of the contract;
3. Determine how services are verified prior to approval of payment;
4. When multiple contractors are procured for the same services, determine how contractors are selected for a work order; and
5. Determine how contractor performance is reviewed and evaluated.

Department's Process

When there is a service need within DGS, the Chief Fiscal Officer meets with the Chief of Facilities for the pre-approval process. After the pre-approval process, the Procurement will create a scope of work for the service. The bid will be created in Citibuy. Contracted services are procured according to the Baltimore City procurement policy. All contracts must be approved by the Board of Estimates. After the approval of the contract by the Board of Estimates, the signed contract is uploaded on Citibuy.

Before payments are made by the City, the officers on the approval path will check the signed contract and compare this to the completed task. There is a quality control process followed by the building managers. This process is carried out for cleaning, janitorial and other contracted services. The building manager spot check the performance of services regularly. Time sheet (tickets) are reviewed by building managers to ensure that services are provided. Also, building managers receive complaints from users of the facilities when services are not properly performed.

Results

1. ***Determine if contracted services are procured in accordance with the procurement policy of the Department.***

SBC obtained a list of all purchase orders (POs) for the performance period and selected at least 25% of them for testing. We selected 5 out of 18 POs for fiscal year 2011, 13 out of 26 POs for fiscal year 2012, 9 out of 22 for fiscal year 2013, and 5 out of 20 for fiscal year 2014.

For each purchase order, we obtained a copy of the underlying contract from CitiBuy and ensured it was approved in accordance with the procurement policy. No exceptions were noted.

2. ***Determine how services are monitored for compliance with terms of the contract.***
3. ***Determine how services are verified prior to approval of payment.***

For each of the 32 POs in our selection, we tested the payments made during the performance period to confirm that rates charged were in accordance with the contract. In addition, we tested to ensure that each invoice was approved by the department prior to payment. We noted adjustments to payments where services were not in full compliance with the contract terms.

4. ***When multiple contractors are procured for the same services, determine how contractors are selected for a work order.***

SBC held discussions with the Agency, and it was explained that for some contracts there is only one vendor e.g. security, cleaning and janitorial.

For services like repairs & maintenance there are three vendors or for other services multiple vendors. Where there are three vendors, there is a principal vendor and alternate vendors. When the principal vendor is too busy the Agency contacts the alternate vendor based on a pre-determined order. In other instances there are is an approved list of multiple vendors. The Agency engages the vendor that provided the best quote.

5. ***Determine how contractor performance is reviewed and evaluated.***

Per discussion with the Agency, there is periodic vendor performance report to evaluate the services provided by the vendors. For example, for a four year contract, feedback is provided on a regular basis. When a contractor is not doing a good job, then the vendor could be replaced using the bad vendor report. During our testing of payments, SBC noted that the Board of Estimates approved $67,500 for the floor stripping and waxing services provided by Affordable Carpet Cleaning, Inc. and only $3,712 was spent. Per discussion with the Agency, the contract was cancelled due to poor service delivery.