

PERFORMANCE AUDIT REPORT
DEPARTMENT OF GENERAL SERVICES

FISCAL YEARS ENDED
JUNE 30, 2016 and 2015



Department of Audits

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA

City Auditor
100 N. Holliday Street
Room 321, City Hall
Baltimore, Maryland 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore, Maryland

We conducted a performance audit of selected functions within the Department of General Services for fiscal years ended June 30, 2016 and 2015 (stated period). The purpose of our performance audit was to determine whether the Department of General Services met its performance measure targets, and to determine whether its internal controls and the related policies and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information that is significant to selected performance measures or functions for the stated period. Our performance audit also included a follow-up of findings and recommendations that were included as part of our previous performance audit report of the Department of General Services, dated November 30, 2016.

As a result of our audit, we determined that some of the targets for the selected performance measures were not met. In addition, we noted certain areas where the effectiveness of the control procedures could be improved, and we recommend that:

- DGS continue with its corrective action plan to reduce the percent of projects that exceed the established budgets. DGS' corrective action plan includes, in part:
 1. Performing detailed assessments before design/construction starts;
 2. Reducing design project costs by performing in-house design;
 3. Coordinating with other City Agencies to develop a process to identify the best qualified contractors for the projects; and,
 4. Reducing costs by establishing the design cost prior to work being initiated.
- DGS include the contract numbers on all supporting documentation related to a specific contract and establish procedures for reviewing all documentation to ensure that the transactions are completely and accurately recorded.

Audrey Askey, CPA
Deputy City Auditor
December 29, 2017

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Department of General Services
Background Information & Audit Scope, Objectives, and Methodology
Fiscal Years Ended June 30, 2016 and 2015

Background Information

The Department of General Services (General Services) was approved by the citizens of Baltimore in the November 2008 General Election and began operations as an independent agency on July 1, 2009. General Services oversees Fleet Management, Facilities Management, and Design and Construction/Major Projects. The following is a summary of the service provided by the Department of General Services that was included as part of our Performance Audit:

1. **Design and Construction/Major Projects Division (Service 734)** is responsible for planning, design and construction, and/or renovation or alteration of capital improvements to City facilities from inception to completion. This service is fully supported through a transfer from the capital budget. However, the purchase of new project management software in Fiscal 2016 will be supported by the General Funds.

Audit Scope, Objectives and Methodology

We conducted a performance audit of selected functions within the Department of General Services (General Services) for fiscal years 2016 and 2015. The purpose of our performance audit was to determine: a) whether General Services met its performance measure targets, and b) whether its internal controls and the related policies and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information that is significant to selected performance measures or functions for fiscal years 2016 and 2015. Our performance audit included a follow-up of prior findings that were included as part of the previous General Services performance audit report, dated November 30, 2016. We conducted our performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of our audit were to determine whether General Services met its targets for selected performance measures in fiscal years 2016 and 2015 and to assess whether General Services' internal controls and related policies, processes, and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information related to those performance measures. In addition to our follow-up on the findings and recommendations contained in the previous performance audit, our audit included selected performance measures within the following General Services Areas:

Department of General Services
Audit Scope, Objectives and Methodology (continued)
Fiscal Years Ended June 30, 2016 and 2015

1. **Design and Construction/Major Projects Division – Service 734.** We conducted our audit of the General Services’ efforts to meet its targets for percent of construction completed within budget. (Priority Outcome: Innovative Government)

2. **Design and Construction/Major Projects Division – Service 734.** We conducted our audit of the General Services’ efforts to meet its targets for percent of construction completed on time. (Priority Outcome: Innovative Government)

To accomplish our objectives, we conducted inquiries of key individuals to obtain an understanding of the internal controls and related policies, processes and procedures, and systems, established by General Services for the selected performance measures. Where possible, we also utilized the systems’ documentation obtained as part of our audit of the City’s Comprehensive Annual Financial Report (CAFR). We also performed tests, as necessary, to verify our understanding of the applicable policies and procedures; reviewed applicable records and reports utilized to process, record, monitor, and control General Services’ functions pertaining to the selected performance measures; assessed the efficiency and effectiveness of those policies and procedures; and determined whether General Services met its performance measure targets. We performed tests of various records and reports for the period from July 1, 2014 through June 30, 2016. However, we did not perform tests of the actual amounts for those performance measures that did not meet the established targets.

The findings and recommendations are detailed in the Findings and Recommendations section of this report. The responses of the Department of General Services are included as part of each finding.

**Department of General Services
Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Design and Construction/Major Projects Division - Service 734. The Percent of Construction Completed Within Budget

Background

The Major Projects Division (MPD) administers and manages all aspects of capital improvements in City buildings on behalf of various user agencies, including, but not limited to, Police, Fire, Courts, and Libraries. The MPD is committed to renovating and improving City facilities to provide safe and healthy work spaces and decrease the need for private leases. In this way, the MPD actively supports efforts of the Facilities Maintenance and administration units to reduce the Total Cost of Ownership per square foot for City facilities. Through the use of in-house design and construction project managers, inspectors and contract administration personnel, MPD provides infrastructure improvements to roofs, windows, HVAC, and elevators, in addition to other services, to enhance agency operations.

Finding #1

The Department of General Services (DGS) reported that it did not meet its fiscal years 2015 and 2016 performance measure targets for the percent of construction completed within budget. According to the fiscal years 2015 and 2016 Budget Books, the performance measure targets were 82% and 87%, respectively. The actual amounts reported in fiscal years 2017 and 2018 Budget Books were 83% and 91%, respectively. However, based on the information provided by DGS, the actual amounts for fiscal years 2015 and 2016 should have been reported as 75% and 71%, respectively. According to DGS, for unknown reasons, the actual amounts reported in the City's Budget Books for fiscal years 2015 and 2016 were incorrect and overstated. DGS has identified several causes why projects are not completed within budget, and has grouped those causes into two categories: 1) Unanticipated Field Conditions; and, 2) Changes in Scope (changes in the using agency's programmatic requirements, needs, or use of the space). According to DGS, it has begun to take several steps to increase the percent of projects completed within budget.

Recommendation #1:

We recommend that DGS continue with its corrective action plan to reduce the percent of projects that exceed the established budgets. The corrective action plan includes, in part:

- **Performing detailed assessments before design/construction starts;**
- **Reducing design project costs by performing in-house design;**
- **Coordinating with other City Agencies to develop a process to identify the best qualified contractors for the projects; and,**
- **Reducing costs by establishing the design cost prior to work being initiated.**

**Department of General Services
Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Agency Response:

DGS agrees with Auditor's findings and recommendations and notes that it has begun implementing some of the recommendations, such as performing in-house design when appropriate and performing thorough building assessments prior to commencement of design so that construction issues can be identified early in the process. DGS will review the remaining recommendations and implement them if feasible.

Design and Construction/Major Projects Division – Service 734. The percent of construction completed on time.

Finding #2

DGS reported that it met or exceeded its performance measure targets for fiscal years 2015 and 2016. However, some of the supporting documents for the samples selected for testing provided by the agency did not include the contract number to efficiently identify the document related to a specific contract. Additionally, out of the six samples selected for testing, one certificate of completion listed the wrong contract numbers, which was corrected by DGS when pointed out by the Auditor.

Recommendation #2

We recommend that DGS include the contract numbers on all supporting documentation related to a specific contract and establish procedures for reviewing all documentation to ensure that the transactions are completely and accurately recorded.

Agency Response:

DGS agrees with the Auditor's finding and recommendation and notes that the recommendation is being implemented using project management software to assist in the accurate recordation and documentation of project data.

**Department of General Services
Status of Prior Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

The following is a summary of the status of the prior findings and recommendations included as part of the prior performance audit report for the Department of General Services, dated November 30, 2016.

Fleet Management – Fuel Consumption and Fuel Inventory

Previous Finding #1

Although fuel consumption information is available for each vehicle, there is no specific process in place to monitor or review the usual 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, auditors 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.

Previous Recommendation #1

Ensure Miles per Gallon Information is Reported for Each Vehicle. The Auditor recommended that a process be put in place whereby actual Miles per Gallon (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 an 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.

Follow-up Status #1:

Partially Implemented. Agency personnel have access to the report, and they can run at their discretion, which contains details on vehicle fuel charges. By using this report, agencies would be able to identify anomalies. The Quarterly MPG reporting, scheduled to begin in September 2017, was delayed due to corruption of the database's reporting function. Fleet has recreated the report and it is projected to be fully completed by the end of October, 2017. We did not verify the subsequent information as part of this audit.

**Department of General Services
Status of Prior Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Previous Finding #2

According to the Auditors, tests confirmed that there is rigorous monitoring of fuel at each station. Also, fuel is measured every day and consumption and fuel receipts are reconciled on a daily basis. 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. It was also 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.

Previous Recommendation #2A

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.

Follow-up Status #2A:

Implemented. The daily inventory control data being collected and used for reporting purposes by Fleet Management's Fuel Systems personnel includes: 1) information from manual dipping of the tanks, 2) totalizer readings off the terminals, and 3) Veeder Root tank inventory system readings. Fleet is consolidating these three pieces of information on the Daily Count Sheet and included in the bi-weekly CitiStat Fuel Report.

Previous Recommendation #2B

Third Party Measurement of Inventory. The Auditor recommended that 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.

Follow-up Status #2B:

Implemented. The delivery driver measurements are confirmed by an attendant onsite, and compared to the Veeder Root readings. The Delivery Report contains information from the 3rd party (the vendor delivering fuel) how much fuel was delivered as well as the dipstick readings before and after delivery of the load.

**Department of General Services
Status of Prior Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Fleet Management – Preventive Maintenance

Previous Finding #3

Of the 160 items selected for testing during the performance period, the Auditors noted 11 instances where equipment was overdue by more than three months. The overdue vehicles were included in the bi-weekly CitiStat reports, but the overdue equipments were not. The agency informed that equipment is excluded from Citistat. In addition, the CitiStat reports for May and June 2012 were missing.

Previous Recommendation #3:

Report Equipment Over-Due for Preventive Maintenance. The Auditors recommended that the Agency put in place procedures for reporting equipment overdue for Preventive Maintenance (PM) by more than three months.

Follow-up Status #3:

Implemented. Fleet amended the CitiStat report to start including over-due equipment.

Previous Finding #4:

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

Previous Recommendation #4

Implement Penalties for Overdue Preventive Maintenance. The Auditors recommended General Services to ensure all overdue PM is properly reported to agencies to ensure that they can schedule the PM as soon as possible. The Auditors also recommended implementing penalties to drivers/agencies that do not come in for PM. Also, consider cancelling or limiting use of fuel cards for vehicles that exceed PM by a set parameter.

Follow-up Status #4:

Partially Implemented. General Services responded that the authorization to take punitive action for overdue PMs would need to come from City Hall and the guidance to institute the practice of turning off fuel has not been provided. According to General Services, however, due to the efforts by Fleet Management to reach out to agencies, the number of overdue PMs has significantly decreased. We did not verify this information as part of the audit.

**Department of General Services
Status of Prior Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Facilities Management – Building Management

Previous Finding #5:

For the 15 buildings selected for testing, the Auditors found instances where the buildings were occupied, but there were no lease agreements in place.

Previous Recommendation #5A:

Ensure Leases are in Place for all Tenants. The Auditors recommended that General Services ensure that lease agreements are in place for all tenants occupying buildings managed by the Agency.

Follow-up Status #5A:

Partially Implemented – in Progress. In June, 2017, all pertinent lease information for FY 2018 was sent to the Department of Real Estate (Real Estate) to execute lease agreements for buildings that are under General Services' jurisdiction. General Services and Real Estate reviewed buildings that required leases, City Agencies and Non-Profits in General Services facilities, the amount of annual rent, and the square footage occupied. General Services and Real Estate will continue their inter-agency collaboration to ensure that lease agreements are in place for all tenants occupying buildings managed by the Agency. This is still a work-in-progress.

Previous Recommendation #5B:

Updated List of Tenants. The Auditors recommended that 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.

Follow-up Status #5B:

Partially Implemented – In Progress. General Services is recommending a process to be implemented to ensure that the list of tenants in each of the 63 buildings managed by the Agency is kept updated and complete. General Services - Municipal Facilities Administration is in the process of inputting relevant information into the Archibus Facilities Management Software. This measure is currently in progress, but all information is expected to be inputted into the system by January 1, 2018. This will serve as the database of properties under General Services.