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# Performance Audit of the General Services Department – Facilities Maintenance Division

INSUFFICIENT RESOURCES LEAD TO MAINTENANCE DEFICIENCIES, A  
WEAK ORGANIZATIONAL MODEL, AND REDUCED MANAGEMENT  
CAPACITY

NOVEMBER 2012

**Audit Report**  
Office of the City Auditor  
City of San Diego



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## THE CITY OF SAN DIEGO

November 23, 2012

Honorable Mayor, City Council, and Audit Committee Members  
City of San Diego, California

Transmitted herewith is an audit report on the General Services Department – Facilities Maintenance Division. This report is in accordance with City Charter Section 39.2. The Results in Brief is presented on page 1. A discussion of the Administration's response to our audit recommendations can be found on page 16 of the report.

We would like to thank Facilities Maintenance's staff, as well as representatives from other City departments for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff responsible for this audit report are Sara Glick, DeAndre McCall, Amanda Lamb and Chris Constantin.

Respectfully submitted,

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City Auditor

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## Results in Brief

We reviewed the Facilities Maintenance Division (Facilities) of the General Services Department with the objective of determining whether Facilities proactively and systematically maintains the City's capital assets. In general, we found that:

The City has not determined the desired level at which its facilities should be maintained and budgeted for facilities maintenance accordingly,

There is a lack of clarity in Facilities' operating model, which reduces efficiency and equity of facilities maintenance, specifically with regard to Facilities' relationship with other departments and funding structure, and

Facilities does not use the tools at its disposal to track maintenance work and evaluate performance.

**The City does not Adequately Budget for Maintenance Activities**

Since 2007, Facilities has experienced large reductions in both budget and staff. To maintain facilities at an acceptable level, industry standards recommend budgeting for maintenance and repair at two to four percent of the cost to replace the facility. However, the City currently budgets less than half of one percent of current replacement value. According to Facilities, these resource limitations have hindered the Division's ability to maintain accurate data of facilities Citywide, preventing a comprehensive approach to facilities maintenance. Additionally, the lack of resources devoted to Facilities has contributed to a large backlog of work orders and a focus on emergencies and corrective repairs, instead of preventative maintenance.

**Facilities Could More Effectively Utilize Current Resources**

Facilities' operating model is inefficient and unsustainable. Specifically, their relationship with other departments is poorly defined and has resulted in a lack of clarity regarding who is responsible for what maintenance needs. Facilities is also reimbursed for work from some departments but not others. This funding structure, coupled with the expectation to generate revenue, leads to prioritization of reimbursable work, which, due to resource limitations, often means neglecting work for other departments.

**Facilities Could More Effectively Use Its Asset Management System to Manage and Monitor Operations**

Finally, Facilities has the necessary technology to efficiently and effectively manage operations. However, Facilities has not optimized its use of those tools. Applying its objective system of prioritizing work requests can help to ensure that important assets are not neglected, mitigating the need for expensive emergency repairs. Additionally, if Facilities applied a systematic approach to continuously monitoring data for accuracy, Facilities could then use that data to evaluate their own effectiveness, improve their processes as necessary, and celebrate successes.

We have made seven recommendations to the City and Facilities that address the issues identified during our audit.



## Background

The City of San Diego relies on the Facilities Maintenance Division (Facilities or Division) of the General Services Department to provide maintenance, repair, custodial, and tenant improvement services for its approximately 1,700 facilities. The services provided by Facilities are intended to ensure City-owned buildings are safe and functional over their expected life. This is particularly important since the City's facilities are vital for public safety, necessary for government business, and heavily relied-upon by residents (e.g. libraries and recreation centers).

Facilities carries out its responsibilities with a budget of \$13.9 million, partially funded through the General Fund, which supports facilities maintenance projects in departments supported by the General Fund. Additionally, Facilities receives reimbursement for work done in departments that generate revenue from outside sources (e.g. Public Utilities, which receives funding from user fees and reimburses Facilities for all work done). Facilities' approximately 100 employees are divided between these two funding sources, whereby employees assigned to reimbursable projects typically do not work on General Fund projects and vice versa.

Maintenance is one of the most significant expenses related to owning a building and generally includes three primary interconnected activities:

**Preventative maintenance**—scheduled, routine, and recurring maintenance to prevent breakdowns and mitigate deterioration.

**Corrective repair**—work required to correct a non-emergency deficiency.

**Emergency corrective repair**—work performed to immediately correct a problem that poses a threat to building security or public safety.

Achieving the “correct” balance between these activities is a key factor in an effective and efficient maintenance program. In general, a proactive, comprehensive facilities maintenance operation allows organizations to better manage costs by minimizing expensive emergency repairs and unplanned shutdowns. A successful maintenance program also helps organizations provide better services to customers and cleaner, safer working conditions to employees.

# Audit Results

## ***Finding 1: The City Does Not Prioritize Facilities Maintenance***

The Facilities Division budget falls behind industry standards at less than one half of one percent of the replacement value for the facilities in its charge. However, Facilities lacks an accurate account of the number and square footage of current City assets, and is therefore unable to estimate the impact of budget reductions with regard to the Division’s workload. While we did not find evidence that this lack of information specifically has impacted Facilities’ ability to maintain the City’s assets, it does hinder the City’s ability to take a comprehensive approach to asset management.

In 2008, two independent consulting firms assessed the condition of City facilities and found many to be in poor condition. While the City has not reassessed the condition of its facilities since that time, our audit work found that the Facilities Division is not adequately equipped to keep up with necessary maintenance and repairs. Consequently, there is significant risk that the buildings have only further deteriorated since the 2008 condition assessment.

### **The City Does Not Budget Sufficient Resources to Adequately Maintain its Facility Assets**

The Facilities Division has experienced reductions in both budget and staff resources since 2007—8 percent and 18 percent,<sup>1</sup> respectively.<sup>2</sup>

To maintain facilities at an acceptable level, industry standards recommend that organizations budget maintenance and repair expenses at two to four percent of the cost to replace the facility.<sup>3</sup> In fiscal year 2012, the City budgeted facility

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<sup>1</sup> Facilities budget has decreased from \$15.1 million in FY07 to \$13.9 million in FY12. The number of full-time equivalent employees (FTE) has also decreased, from 131 budgeted positions in FY07 to 107 in FY12.

<sup>2</sup> These numbers do not include Citywide capital spending, which typically goes toward larger-scale construction and maintenance as opposed to routine repair. The budget numbers also do not reflect department-specific maintenance FTE or spending outside the central Facilities Division. See Finding 2 for more detail on department-specific facilities maintenance crews.

<sup>3</sup> Stanford, Herbert W (citing National Research Council). 2010. *Effective Building Maintenance: Protection of Capital Assets*. The Fairmont Press, Inc.: Lilburn, Georgia.

maintenance at approximately \$14 million, or less than one half of one percent of the 2008 facilities condition assessment's estimated replacement value, which is significantly less than recommended by industry standards. If the City funded facilities maintenance at the low end of the recommended range (two percent of the replacement value), the budget would have been \$62.5 million, or almost \$50 million greater than the actual amount budgeted.<sup>4</sup> According to Facilities, lack of resources and staff have hindered the Division's ability to address maintenance requests in a timely manner. At the time of our audit, the Facilities Division had over 1,300 uncompleted building maintenance and repair requests (also referred to as "open work order tickets"). We even noted one repair request was initially reported in October of 2008—to address wood rot on the balcony of a lifeguard tower.

*Facilities Lacks Accurate Information on City Assets*

The Facilities Division lacks the data necessary to evaluate disparities in current resources and workload or to create a comprehensive approach to asset management Citywide.

We intended to analyze the sufficiency of the current staffing level based on workload (for instance, FTE per square foot). We were unable to do so because the Facilities Division does not have an accurate list of the facilities that need to be maintained. While Facilities does maintain this list, there are known errors, double-counted facilities, and inaccurate information. The facilities list also includes pertinent information such as square footage, age of facilities, and location information of those facilities.

A comprehensive approach to asset management requires the organization to have an understanding of the condition and functionality of their facilities. Additionally, a comprehensive approach should be used as a tool to achieve the organization's mission. An important step in such an approach is to maintain an accurate list of facilities, including other relevant information used to inform management decisions.

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<sup>4</sup> These numbers are based on the 2008 facilities condition assessments, which assessed potential replacement value. Internal Facilities Division estimates suggest this may be very low, and the replacement costs may be much higher than the condition assessments indicated.

Prior to FY09, regular inventory was taken in order to ensure the accuracy of the facilities list. However, management states that reductions in budget and staff forced Facilities to neglect maintaining this list in favor of higher priority activities. Thus, the list was not updated after FY09. By September 2012, management had taken steps to coordinate with other City departments and improve the accuracy of the information in the facilities list.

*Facilities Division  
Performs Minimal  
Maintenance Activity*

Preventative maintenance is considered the most effective facilities maintenance activity. However, the Facilities Division performs little preventative maintenance, instead focusing considerably more resources on corrective repairs.<sup>5</sup>

Best practices suggest preventative maintenance should account for 70 percent of a maintenance department's budget to adequately maintain the facilities. When corrective repairs consume 30 percent or more of the available resources, there are insufficient resources devoted to facilities maintenance.<sup>6</sup>

We found that corrective repairs are the large majority (84 percent) of work activity at the City. As a result, Facilities cannot perform the necessary maintenance to prevent performance failures and ensure that the City's facilities actually achieve their service life. In addition, defects can occur, which may result in extensive and avoidable damage to the facility.

We analyzed work orders completed between July 2009 and December 2011 and found that preventative maintenance only accounted for 16 percent of Facilities' completed work orders, while corrective repairs accounted for 84 percent, as shown in Exhibit 3.

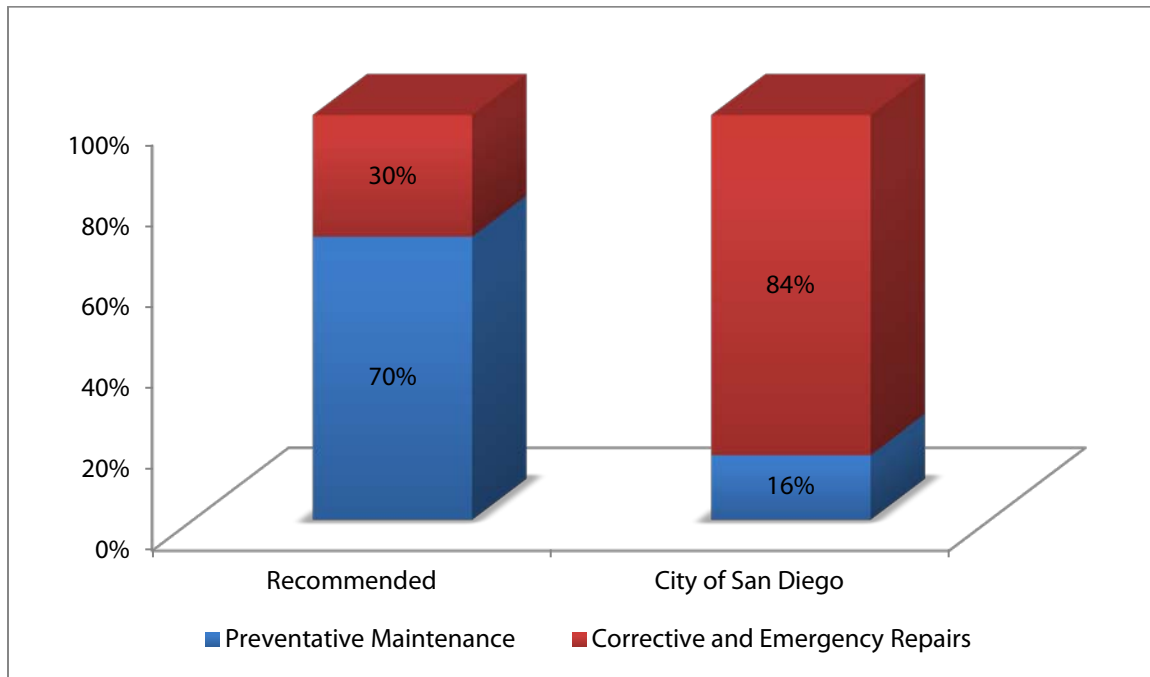
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<sup>5</sup> *Corrective repair* is work required to correct a deficiency and place the building or its supporting systems or components in proper operation. *Preventative maintenance* is scheduled, routine and recurring maintenance performed to ensure the proper operation—and to maximize the useful life of—the building and supporting systems. The goal of preventative maintenance is to prevent, or at least reduce, the degradation or deterioration condition of a facility over its useful life.

<sup>6</sup> Stanford, Herbert W. (2010)

**Exhibit 3**

**Comparison of Completed Preventative Maintenance and Corrective Repairs**



Source: OCA

- Recommendation #1** The Department of Public Works should determine the desired level of facilities maintenance for City assets based on the replacement value of those assets, and Facilities' budget requests should reflect that desired level. (Priority 2)
- Recommendation #2** Facilities should plan and perform regular inventory for the facilities list to ensure accuracy. (Priority 3)
- Recommendation #3** Facilities management should identify opportunities to refocus its operation from a breakdown maintenance model to one that prioritizes preventative maintenance. (Priority 3)

## ***Finding 2: The Facilities Division Could More Effectively Utilize Current Resources***

In addition to issues relating to Citywide budgeting for maintenance and repair of facilities, the Facilities Division is currently structured in such a way that its relationship with other City departments is poorly defined and may prevent important maintenance needs from being addressed. Many of these issues are the result of structural and funding changes that left the City with a small central Facilities Division and very few decentralized maintenance crews.

In 2008-2009, the Facilities Division conducted a business process reengineering study (BPR) with the goal of identifying areas to improve efficiency.<sup>7</sup> At that time, a total of ten City departments, including Fire-Rescue, Police, the Library, and Environmental Services, had in-house facilities maintenance programs.<sup>8</sup>

One of the recommendations resulting from the study was to consolidate all facilities maintenance activities under the central Facilities Division. This was to include reallocating department-specific maintenance funding into the central location. Consequently, most departments eliminated or reduced their internal crews and prepared to rely solely on a central division. However, the BPR recommendation was never fully implemented, leaving Facilities and other departments to deal with cuts to internal maintenance programs, but without a more robust central division to make up the difference.<sup>9</sup>

### **Organizational Structure May Lead to Maintenance Deficiencies**

The lack of a clearly-defined relationship between central Facilities and department-specific maintenance programs is problematic and may lead to maintenance deficiencies.

At the time of our review, the Police, Fire-Rescue Departments, Parks & Recreation, and the Library are the only General Fund

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<sup>7</sup> Memo to Budget and Finance Committee. (15 June 2009) "Facilities Business Process Reengineering."

<sup>8</sup> The following departments held at least one full facilities maintenance FTE: Environmental Services, Fire-Rescue, Library, Metropolitan Wastewater, Parks & Recreation, Police, Streets, Qualcomm, and Water. (Engineering & Capital Projects had .25 FTE devoted to facilities maintenance.)

<sup>9</sup> Heinrichs, Tony. (13 Aug 2012) "Memo to City Departments: Facilities Maintenance Support."

departments that still have small facilities maintenance crews funded out of their departments' own operating budgets. However, these departments still rely on Facilities for important maintenance and repair needs. For instance, the Police Department lacks an adequate number of HVAC technicians and does not have a plumber. Fire-Rescue does not have any tradesmen, and therefore can only perform minor repairs and temporary fixes.<sup>10</sup>

As a result, Facilities is expected to perform maintenance work (for which they are not reimbursed) for departments that have internal maintenance crews. Though these repairs are necessary and support the Facilities Division's mission, they at times divert limited resources from General Fund departments that do not have their own maintenance crews.

During the course of our review, Facilities informed us that they would no longer perform work for Police and Fire-Rescue because they did not have the resources to supplement other maintenance crews without neglecting other departments. Facilities asserts that the public safety nature of the work forces them to prioritize any maintenance request from Police or Fire-Rescue above other requests. Given the current resource constraints, Facilities is unable to provide support for Police and Fire-Rescue while adequately maintaining other facilities.

Both Police and Fire-Rescue assert that their internal crews are not sufficient to conduct all maintenance and repairs, and the lack of Facilities support could lead to further deterioration of public safety facilities. For example, Fire-Rescue reported that their department does not have any tradesmen, that the HVAC system in one station has been unusable for over a year, and that many stations have multiple leaks in the roof.

While these departments and Facilities have begun to work out an agreement regarding maintenance work, this scenario highlights the problems associated with an ill-defined relationship between Facilities and other City departments.

At the time of our review, Facilities began holding regular

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<sup>10</sup> Tradesmen include roofers, electricians, HVAC mechanics, plumbers, and painters.



meetings with all General Fund departments, including Police and Fire-Rescue, in order to work collaboratively to identify an operating model. While significant progress has been made, more is needed to ensure an efficient and effective operating model.

**Funding Structure Limits Service to Some Departments**

In addition to the lack of a defined relationship with other departments, Facilities is funded in such a way that some City departments may not receive an adequate level of maintenance services.

Currently, Facilities collects revenue in the form of reimbursements from some departments (with enterprise funds<sup>11</sup>), but all work done for General Fund departments comes out of Facilities' own budget (also from the General Fund). Given financial pressure to generate revenue, Facilities prioritizes work requests for reimbursable projects over requests from General Fund departments. This arrangement has added to the backlog of maintenance requests and prevents some repairs from being addressed, specifically in General Fund departments.

According to Facilities staff, the expectation to generate revenue coupled with a funding structure whereby Facilities only receives revenue from some City departments has led to inequity in facility maintenance. Thus, the General Fund departments are at risk of being neglected in favor of reimbursable work.

**Recommendation #4 Facilities Maintenance should work with City departments to identify the most effective and efficient operating model and funding structure for facilities maintenance Citywide. (Priority 3)**

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<sup>11</sup> Enterprise funds exist in departments that generate revenue, such as the Public Utilities Department, which generates revenue from user fees.

***Finding 3: The Facilities Division Could More Effectively Use its Asset Management System to Manage and Monitor Operations***

Facilities relies on the commercial asset management system, iMaint, to process, assign, and track work order requests. iMaint is a robust system with numerous capabilities. However, Facilities' use of the system to manage, monitor, and assess operations and performance is limited. Facilities management cited insufficient staff resources as the primary hindrance to using the system more fully.

While our analysis in Finding 1 suggests that Facilities' current resources are not adequate, without a comprehensive system to manage, monitor, and measure operational performance, it is challenging for management to know whether they use and deploy their present resources effectively and efficiently. In addition, it is difficult to make strategic operational decisions without a clear understanding of past and present performance.

**Facilities Division Does Not Utilize its Automated System to Prioritize Work Orders**

Facilities does not prioritize work orders effectively, and important work orders are not always completed. One of Facilities' strategic goals and objectives is to utilize available resources effectively to maintain the City's physical assets. Facilities developed the Relative Importance Maintenance Expenditure (RIME) system to objectively and systematically prioritize maintenance work. This system, a common multiplier system, uses two ratings scales: one to rate the classification of the maintenance work request (e.g., roofing work) and the other to rate the category of the building based on its use (e.g., fire station). The RIME system produces an Index number that provides the priority for scheduling the repair.

Facilities has implemented the system electronically, but it is not being used. The RIME system has been incorporated in the maintenance management system (iMaint), and a RIME Index score is automatically calculated based on the work request information. However, the Index score to prioritize work is not used. Instead, Facilities uses a subjective process where staff

prioritizes work requests based on their opinion of the work request's fire and safety importance.

Facilities staff said it does not use the RIME system because they do not have enough maintenance staff to ensure a consistent application. By not objectively prioritizing work orders and utilizing available resources effectively to maintain the City's physical assets, important maintenance and repair needs may not be addressed, and the condition of the City's facility assets will decline. For example, auditors observed extensive corrosion of the electrical conduit at the Ocean Beach lifeguard station, which poses a serious fire risk. See Exhibit 4.

***Exhibit 4***

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**Corroded Electrical Conduit at the Ocean Beach Life Guard Station**



Source: OCA

**Recommendation #5** Facilities should improve the RIME system as necessary to include all relevant criteria and use the objective system to prioritize maintenance requests. (Priority 3)

**Facilities Data are not Sufficiently Reliable to Monitor and Evaluate Performance**

Our test work found that Facilities staff do not enter relevant information consistently and accurately into iMaint. As a result, we could not rely on the data to evaluate the efficiency and effectiveness of Facilities' activities, as initially planned. However, our data reliability testwork revealed a much bigger issue: Facilities management cannot accurately monitor and evaluate their own operations.

Some of the data issues we noted included:

Work orders recorded as "scheduled" or "completed" before they were entered in the system.

Inconsistent methods of documenting reimbursable work.

Work orders incorrectly recorded as "terminated" instead of "completed."

Staff labor hours recorded in iMaint did not match hours recorded in the City's enterprise resource management system, SAP.

We also noted that Facilities does not take advantage of an iMaint feature that would allow management to assess work efficiency. The system provides a data field for the estimated number of hours each work order assignment should take to complete. However, Facilities either does not enter an estimate or uniformly enters four hours for every assignment, regardless of the anticipated complexity. If Facilities management entered realistic time estimates at the start of a project and compared the estimates to actual labor hours, it would allow management track how efficiently work is completed by task. In addition, it would provide management a valuable tool to evaluate efficiency and identify potential opportunities for improvement.

Facilities is aware of these issues and has been seeking solutions that do not require additional funding. For example, Facilities initiated discussions to integrate iMaint and SAP. According to Facilities, the City has expressed that its own resource constraints and other, higher priority requests will prevent them from immediately addressing this integration. Integration between iMaint and SAP is important because it will resolve

inaccuracies in critical data relative to staff labor hours and reimbursable projects.

Additionally, individual managers perform limited monitoring of iMaint to improve the reliability of their data, and our testwork showed that the number of errors in the data have decreased. However, it appears that this quality review is not part of any formal management oversight responsibility.

- Recommendation #6** Facilities should develop general controls within iMaint to ensure data reliability. (Priority 3)
- Recommendation #7** Facilities should work with the City's OneSD team to determine the best method of integrating the data in Facilities' computerized maintenance management system with other City IT systems, including SAP. (Priority 3)

## Conclusion

The Facilities Maintenance Division carries the important responsibility of ensuring City assets operate as intended over their expected life and that public facilities are safe and reliable. During our review, we encountered management and staff devoted to delivering high-quality facilities maintenance for City of San Diego departments. However, we found several opportunities for improvement, specifically with regard to the way Facilities is currently funded, its relationship to other City departments, and its ability to manage operations using the tools currently available.

While many of these issues may be the result of resource limitations, there are opportunities to mitigate the negative impacts with a more strategic and proactive approach to facilities management. We believe these findings and recommendations present an opportunity for City leadership and Facilities to reevaluate the City's current approach to asset management, determine the desired outcomes of the program, and begin to evaluate performance to identify further opportunities for improvement.

Without action, the City will continue to see further degradation of aging facilities and increased costs associated with expensive breakdown maintenance and emergency repairs. Taking action now to improve the efficiency and effectiveness of the Facilities Division is critical to the long-term stability of City-owned capital assets.

## Response

The Administration provided a draft, unsigned response to our audit report by our agreed upon date. We reviewed the draft response and made a minor change regarding organizational responsibility. The Administration agreed or partially agreed with all seven audit recommendations. Specifically, the Administration agreed with two recommendations and partially agreed with five recommendations.

# Recommendations

- Recommendation #1** The Department of Public Works should determine the desired level of facilities maintenance for City assets based on the replacement value of those assets, and Facilities' budget requests should reflect that desired level. (Priority 2)
- Recommendation #2** Facilities should plan and perform regular inventory for the facilities list to ensure accuracy. (Priority 3)
- Recommendation #3** Facilities management should identify opportunities to refocus its operation from a costly breakdown maintenance model to one that prioritizes preventative maintenance. (Priority 3)
- Recommendation #4** Facilities Maintenance should work with City departments to identify the most effective and efficient operating model and funding structure for facilities maintenance Citywide. (Priority 3)
- Recommendation #5** Facilities should improve the RIME system as necessary to include all relevant criteria and use the objective system to prioritize maintenance requests. (Priority 3)
- Recommendation #6** Facilities should develop general controls within iMaint to ensure data reliability. (Priority 3)
- Recommendation #7** Facilities should work with the City's OneSD team to determine the best method of integrating Facilities' computerized maintenance management system with other City IT systems, including SAP. (Priority 3)



## Appendix A: Objectives, Scope, and Methodology

Our audit objective was to determine whether the General Services Department—Facilities Maintenance Division proactively and systematically maintains the City’s capital assets.

To determine the adequacy of the City’s funding for facilities maintenance, we reviewed Facilities’ adopted budget and staffing levels between fiscal year 2007 and 2012. We analyzed prior Citywide Facilities Condition Assessments completed in 2008 and 2009. We reviewed policies and procedures, administrative regulations, and other management documents related to facilities maintenance. We researched national and industry standards regarding facilities maintenance and completed a facilities maintenance investment survey of other municipalities.

To determine the extent of efficiency and effectiveness of Facilities’s operations, we obtained and analyzed data from the City’s computerized maintenance management system, iMaint. The data set included all work orders added to the system from July 1, 2009 through December 31, 2011. We performed reliability testing on data used in this report. To determine the extent to which data quality has improved, we also obtained data from fiscal years 2007-2009 and conducted the same reliability tests. We attempted to obtain data in iMaint related to reimbursable work, but found the data to be incomplete.

We conducted this 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 Office of the City Auditor thanks the General Services Department—Facilities Maintenance Division for its assistance and cooperation during this audit. The valuable staff time and efforts spent on providing us information are greatly appreciated.

# Appendix B: Definition of Audit Recommendation Priorities

## DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class <sup>12</sup>	Description <sup>13</sup>	Implementation Action <sup>14</sup>
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring.	Immediate
2	A potential for incurring significant or equivalent fiscal and/or non-fiscal losses exist.	Six months
3	Operation or administrative process will be improved.	Six months to one year

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<sup>12</sup> The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

<sup>13</sup> For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its residents.

<sup>14</sup> The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.