



Date: November 21, 2012

To: Eduardo Luna, City Auditor

From: Tony Heinrichs, Director, Public Works

Subject: Facilities Audit Response – Facilities Maintenance Division

The following pertains to the performance audit reported titled "Performance Audit of the General Services Department – Facilities Maintenance Division" and dated November 2012. Comments generally follow the sequence of the audit report.

General Comments:

The audit report states that the Facilities Division of the Public Works Department is responsible for facilities maintenance and repair City-wide. That is not the case. City-wide facilities maintenance is a largely decentralized function. Facilities Division is primarily responsible for the CAB complex, Park and Recreation facilities and some Library Department facility systems. Other General Fund departments like Police and Fire-Rescue have had and continue to have primary responsibility for maintaining the facilities that they occupy. They have independent budgets and in the past have relied on limited in-house forces and contracts to accomplish their facilities maintenance work. All non-General Fund Departments are responsible for maintaining the facilities that they occupy. They do this by buying services from Facilities Division, they employ limited in-house staff, and all departments have in the past relied on contractor support for accomplishing facilities maintenance needs.

The Facilities List is comprised of all City facilities. The list currently contains just over 1700 items and approximately 9,200,000 square feet. Any attempt to judge the level of facilities maintenance funding for City-wide facilities must include funds for facilities maintenance expended or budgeted across all City departments as well as maintenance and repair funding from bond funds. The audit report does not identify funds other than Facilities Division funds.

Department facilities funding may include many items that do not pertain to facilities maintenance and repair. As an example, the Facilities Division budget for FY 12 is \$13.9 million. The maintenance and repair (m&r) portion of that budget is actually \$7.4 million after deducting \$907K (utilities), \$547K (non-m&r portion bond transfer), 38K (non m&r portion debt payment), and \$4.924M (reimbursable revenue).

Specific Comments:

Background:

Facilities employees though organizationally structured into General Fund and non-General Funds groups may perform work in either group as the need arises. As an example, during the heavy rains of 2011 many employees on the reimbursable crews assisted with weather related maintenance calls. By the same token, as Facilities attempts to satisfy its budgetary obligation to bring in a set amount of revenue, we may use employees from the General Fund side to assist with reimbursable projects.

Comments Regarding Finding 1:

In 2008, two independent consulting firms assessed the condition of 443 City facilities as well as the City Administrative complex and assigned an overall condition of good to City facilities. The Administrative Complex, specifically CAB, COB and the concourse were deemed in poor condition.

The maintenance and repair portion of the Facilities Division budget has been reduced 18% and 18%, respectively from 2007 to 2012.

Adequately Maintain its Facility Assets – This paragraph can be the source of a lot of confusion. It is based on the premise that Facilities Division is responsible for all City facilities and that there are no other City facilities maintenance funds to be considered. It also does not distinguish facilities maintenance and repair funds from other facilities related funds. Also, the estimated current replacement value (CRV) may be in question. Here are the issues:

1. As noted above, only \$7.4 million of the approximately \$14 million Facilities Division funding pertains to maintenance and repair.
2. The comparison disregards all other facilities maintenance funding from all other City Departments.
3. The \$62.5 million in recommended annual maintenance funding is based on funding for all City facilities many of which are funded outside of the Facilities Division funds, both General Fund and non-General Fund.
4. The \$62.5 million in recommended annual maintenance funding is based on funding a total square footage number that may have changed (reduced) since it was determined. Also the per square foot cost of construction that was used in calculating this number appears to be significantly low based on the Parsons condition assessment work and Facilities Division recent verification of actual construction costs.
5. The last sentence of this paragraph is a good example of this confusion. The noted life guard tower deficiency although associated with the General Fund, is not a Facilities Division responsibility but rather the responsibility of the Fire-Rescue Department.

Recommendation #1

Partially Agree. Facilities Division is working with other General Fund Departments to determine an appropriate facilities maintenance funding level. A sustainability model along with a recommended funding level for all General Fund facilities was presented to the COO in early November 2012. The COO asked that the funding model be expanded to include all facilities

Citywide. We anticipate having the initial City wide numbers no later than June 2013 at which time we will present them to the new City administration. If the Mayor's budget preparation process allows, the funding resources needed for the desired level of facilities maintenance will be requested.

Recommendation #2

Agree. This activity is now tasked to Facilities Work Control and specifically an Administrative Aide 1 to manage in iMaintenance our maintenance management system. The updated Facilities List was forwarded to other City Departments in June 2012 for their comment. Their comments have been reconciled and the list updated. This will be an ongoing endeavor.

Recommendation #3

Agree. We have been doing so for the past year starting with Heating Ventilation and Air Conditioning preventative maintenance (pm), we have instituted roofing pm and some plumbing and electrical pm. We will continue to grow the scheduled maintenance as a percentage of all work as our limited resources (and breakdowns) allow. Our interim goal is that 20% of all FY2014 work order labor is based on preventative or scheduled maintenance.

Comments Regarding Finding 2

The audit asserts that "The lack of a clearly-defined relationship between central Facilities and department-specific maintenance programs is problematic and may lead to maintenance deficiencies." Poorly defined is not the issue. Facilities maintenance responsibility across the City has traditionally been decentralized, and there is nothing inherently problematic about a decentralized organization. The reason other General Fund Departments are coming to Facilities is inadequate resources due to budget reductions and the Contracting protocol signed into agreement with Local 127 in April 2011 that has taken away their ability to contract out work that they formerly had performed by vendor.

The discussion at paragraph 4 is inaccurate. Responsibilities are understood. Facilities Division is primarily responsible for maintaining Park and Rec, CAB complex and certain Library systems. Facilities Division has minimal responsibility to provide support to Police and Fire Rescue. We continue to support all General Fund departments with emergency response.

The relationship is being redefined as all primary General Fund Departments develop a unified request for additional facilities maintenance resources and a unified facilities maintenance organization. This was the subject of our recent presentation to the COO in early November 2012.

The Facilities Division budget includes a substantial requirement to generate revenue. Facilities Division must apportion manpower resources to achieve these budgetary targets (\$4.9 million in FY2012). This requirement does reduce the number of employees available to perform maintenance and repair to General Fund facilities. No City department is adequately funded to perform desired levels of facilities maintenance and repair.

Recommendation #4

Partially Agree. This analysis has already been conducted, in a business process reengineering study in FY09. General Fund Departments began meeting in March 2012 to further discuss better coordination and funding. We have developed a sustainability model and are using it to develop a unified facilities maintenance funding request. We are also examining various organizational models with the goal of developing a unified facilities maintenance approach and organization. The initial briefing to the COO in early November 2012 was well received.

Comments Regarding Finding 3:

Use of the RIME priority system is limited due in large part to the fact that Facilities Division has little or no maintenance responsibility for about one half of City facilities. Fire-Rescue and Police are good examples of this. They would normally rank high in the RIME by virtue of their Life-Safety function but they are responsible for their own buildings. The Ocean Beach lifeguard station mentioned at the end of this discussion as Exhibit 4 is the responsibility of the Fire-Rescue Department.

Recommendation #5

Partially Agree. RIME has been incorporated into the iMaint system. Its use is limited due to the fact that Facilities Division does not have uniform facilities maintenance responsibilities across all City Departments. Its use as a City-wide prioritization tool must await better integration of facilities maintenance assets. Initial General Fund Department discussions have been productive however the final restructuring and subsequent funding will be determined by the incoming administration.

The auditors' testwork was problematic from the start. To avoid their working in the actual iMaint database we created a parallel test database that unfortunately was fraught with a variety of challenges. These comments appear to reflect these issues. We are capable of monitoring and evaluating Facilities operations to the extent that valid data has been inputted into the iMaint system. Currently the only measureable and meaningful data is related to the number of work requests/work orders, their status and actual labor hours associated with each. The various data issues that are noted were likely associated with the test database. We have attempted to address the inconsistencies between iMaint and SAP by integrating employee data entry.

Auditors make reference to the need for estimated time in order to assess the actual time – called variance analysis. Past management decisions and limited resources have prevented Facilities from making full use of the iMaintenance system. In the past year we have added 3 Construction Estimator positions in Work Control for purposes as noted in the audit comments. It will require additional staffing and training of both Facilities staff and customer staff (who call in the work) before we will be able properly estimate work orders prior to tasking the work to the shops.

As regards data quality, Since our hiring of a Work Control supervisor, an Admin Aide I, and two of the three Construction Estimators, quality reviews are occurring and the quality and integrity of our data has improved significantly.

Recommendation #6

Partially Agree. We have made significant progress in the past 18 months by adding staff and a fulltime supervisor to oversee the Work Control function. An Administrative Aide 1 is assigned fulltime to manage data. We have established general controls to ensure data reliability. These include:

1. A work order generation procedure has been created and implemented. Only Work Control staff can create a work order.
2. Work Control monitors the number of assigned work orders to each trade employee. Each employee is allowed a predetermined amount of assigned work orders according to their trade at any given time. They must request additional work orders via their supervisor.
3. Only Work Control verifies all information on work orders before completing and closing them in iMaint.

Additional staffing and training will be required to achieve the desired level of data reliability as well as its proper use as a management tool.

Recommendation #7

Partially Agree. This discussion is ongoing. On September 24, 2012 a joint team comprised of IT, Comptroller, Facilities and DPSI (iMaint vendor) agreed on an approach to accomplish this by creating additional fields in SAP and "pushing" labor hour data to iMaint. We are in the process of developing the required paperwork to submit this for ITBS approval. We will then request a cost proposal from DPSI (iMaint vendor). The integration will be depended on other City IT priorities.



Tony Heinrichs
Director
Public Works

WH:BDS