

**OFFICE OF THE CITY CONTROLLER**



**BUILDING SERVICES DEPARTMENT**

**SERVICE CONTRACT COMPLIANCE  
INTERNAL AUDIT FOLLOW-UP**

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

May 25, 2005

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Building Services Department  
Service Contract Compliance Internal Audit Follow-Up (Report 05-12)

Dear Mayor White:

The City Controller's Office Audit Division has completed a Follow-Up of the Building Services Department Service Contract Compliance Internal Audit Report (report) that was issued in July 2003. The findings and recommendations that were presented at the time of the report were distributed to the Mayor and City Council Members.

Our review was designed to determine the progress the department has made towards implementation of the recommendations made in the original report. The review consisted primarily of conducting on-site interviews with department personnel and reviewing relevant documentation related to recommendations implemented.

The report, attached for your review, concluded that the Building Services Department has made significant progress toward implementing the recommendations detailed in the original report.

We appreciate the cooperation extended to our auditors by Department personnel during the course of their work and commend the Department for taking actions to address the recommendations noted in the report.

Respectfully submitted,

Annise D. Parker  
City Controller

xc: City Council Members  
Anthony Hall, Chief Administrative Officer  
Michael Moore, Chief of Staff, Mayor's Office  
Issa Z. Dadoush, Director, Building Services Department.  
Judy Gray Johnson, Director, Finance and Administration Department

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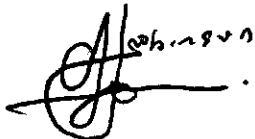
## SCOPE AND PURPOSE

We have completed a follow-up review of the observations and recommendations that were presented in the Building Services Department Service Contract Compliance Internal Audit Report – Pinkerton Security Services No. 03-15 (report) dated July 22, 2003. Our review was designed to determine the progress the department has made towards implementation of the recommendations made to the department in the original report.

The review consisted principally of conducting on-site interviews with department personnel; reviewing relevant documentation related to recommendations implemented; and creating a compliance matrix categorizing the status of action taken by management. The scope was limited to the recommendations from the report. The review included examining the Building Services Department's responses in detail to determine whether management considered the recommendations and strategies for implementation as presented in the report and whether progress was made since its issuance.

## CONCLUSION

Based on the results of our review, we conclude the Building Services Department has made significant progress in implementation of the recommendations detailed in the report.



\_\_\_\_\_  
Ebenezer Robinson  
Auditor-in-charge



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Kenneth Teer  
Audit Manager



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Steve Schoonover  
City Auditor

BUILDING SERVICES DEPARTMENT  
SECURITY MANAGEMENT DIVISION  
SERVICE CONTRACT COMPLIANCE  
INTERNAL AUDIT FOLLOW-UP

OBSERVATION	RECOMMENDATION	ACTION STATUS	WORK PERFORMED	MANAGEMENT RESPONSES
<b>BUILDING SERVICES DEPARTMENT AND PUBLIC WORKS AND ENGINEERING DEPARTMENT</b>				
<p><b>1</b></p> <p><b>Missing Daily Activity Report:</b> As stated in the Agreement, a Daily Activity Report (DAR) shall be submitted to the Facility Manager for every shift worked. The DAR reflects the activity that has occurred during the shift, including incidents, if any. Out of a sample of 36 DARs requested for review, four could not be provided for the City Hall Annex and one could not be located for 611 Walker. We reviewed the 31 DARs obtained, noting they were complete and properly signed.</p>	<p><b>1</b></p> <p>The intent of the DARs is to provide City management with a quick review of the activity that occurred during the tour of duty and to alert them of any unusual incidents or activity that requires further attention. Strengthen controls over the filing of DARs to ensure accurate filing and timely retrieval.</p>	Implemented	Through discussion with the Acting Deputy Assistant Director of the Security Management Division (SMD), it was indicated that Facility managers for the City Hall/City Hall Annex and 611 Walker are given the DARs to review and file by date. Examined FY 2004 DARs obtained, noting they were complete, properly signed and filed by date.	Security Management met with Facility Managers and both agreed that filing DARs by date would enable quick file retrieval if needed.
<b>CONTRACTOR COMPLIANCE – PINKERTON SECURITY SERVICES</b>				
<p><b>1</b></p> <p><b>Security Officer Criteria Non-Compliance:</b> As stated in the Agreement, "A Security Officer employed by the Contractor to provide Security Agreement shall meet the following criteria:." Criteria listed includes being: - 21 years of age, - High school graduate or must have obtained a Graduate Equivalency Diploma (GED), - Not to have been convicted in any jurisdiction of any felony unless a full pardon has been granted, - Not to have been convicted in any jurisdiction of a misdemeanor involving moral turpitude during the</p>	<p>The Agreement states that "Contractor agrees that in the event the requirements of this Agreement and Exhibits...are not complied with, the City may assess liquidated damages for non-compliance..." Liquidated damages are limited to \$18,000 per Agreement year. As the Contractor was not in compliance with regard to meeting the security guard criteria as stated in the Agreement, the City should determine if the assessment of liquidated damages is appropriate. The contractor should consider using a checklist that includes all the criteria items required for Security Guards as listed in the</p>	Implemented	The Contractor now uses a checklist to ensure that security guards meet the contract hiring criteria. Checklists are maintained in the Contractor's personnel files and are open to auditors for inspection. Examined correspondence and memos and identified specific areas for consideration in evaluating management's willingness to implement audit recommendations. As a result of the prior audit, the City recovered \$390 in liquidated damages. Additionally, judgmentally selected and examined 15 Security Guards personnel files.	In separate meetings, The Security Management Division Manager met with a representative from the Finance and Administration's Strategic Purchasing Section and the Legal Department to determine if the assessment of liquidated damages was appropriate. As a result of those meetings, it was determined that liquidated damages should be assessed. In accordance with paragraph 5.1 of the Security Guard Services Contract (C50328), the Security Management Division Manager met with the Contractor and an agreement

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<p>seven-year period preceding the date of application unless a full pardon has been granted for the conviction,</p> <ul style="list-style-type: none"> <li>- Not having been dishonorably discharged from the armed services of the United States under other than honorable conditions,</li> <li>- A minimum of six month's previous experience providing commissioned or noncommissioned officer service, and</li> </ul> <p>Our testing included 12 specific compliance requirements for a sample of 59 Security Guard HR files. In summary, we noted the following during our fieldwork:</p> <ul style="list-style-type: none"> <li>- Twelve HR files contained proof that the 12 criteria items had been met,</li> <li>- Forty-three HR files were missing the proof of one to ten criteria items, and</li> <li>- Four HR files could not be located.</li> </ul>	<p>Agreement, Section 1.3. This checklist would be required to be reviewed and approved as complete prior to a Security Guard being placed at the City. This completed and approved checklist would remain in the respective Security Guard HR file. We recommend that the City should direct the Contractor to obtain proof of criteria being met and to strengthen their controls to mitigate the risk of placing Security Guards at the City that do not meet the criteria of the Agreement. Additionally, the City should consider performing a follow-up audit to determine that the Contractor has obtained proof of meeting the criteria and that the Contractor has instituted adequate control over this area.</p>	Implemented	Per discussion with Acting Deputy Assistant Director, the Contractor provides Security Officer Daily Post Schedule (Call-In Log) that lists the post number, time of arrival, time of departure and hours worked. Invoices submitted by the Contractor are randomly checked by the Administrative Specialist to ensure accuracy before payment of services. The Contractor addresses	<p>was reached regarding liquidated damages for failing to comply with Section 1.3 (pgs. 2-4). Checklists are now being utilized by the Contractor to ensure Security Officer Criteria compliance. The Contractor will maintain the checklists in the company's personnel files. Files are open to inspection by Management and auditors upon request. Management agrees that a follow-up audit should be conducted</p>
<p><b>Incomplete Time-Logs:</b> The Agreement calls for the use of time clock cards at the City Hall, City Hall Annex and 611 Walker locations. However, as there is only one time clock, which is not centrally located, the use of the time clock was deemed impractical. Instead, the Contractor uses a Time Log to record security guard time and the City has agreed to its</p>	<p>The City should instruct the Contractor to strengthen its controls over the monitoring of Security Guard Time, such that the invoices are supported by properly completed Time Logs. Due to the multiple sites and the associated problem of getting the Time Logs signed, the Contractor should consider having a Time Log at each location.</p>	Implemented	Per discussion with Acting Deputy Assistant Director, the Contractor provides Security Officer Daily Post Schedule (Call-In Log) that lists the post number, time of arrival, time of departure and hours worked. Invoices submitted by the Contractor are randomly checked by the Administrative Specialist to ensure accuracy before payment of services. The Contractor addresses	<p>Management agrees with Auditor that time clocks are impractical. The Security Management Division believes the current method of processing invoices is sufficient to ensure accuracy and detect fraud. Also, both the CCTV system and monthly Field Service Supervisor Visitation Forms provide</p>

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<p>use. During our testing of a sample of 36 invoices, we compared to the respective Time Logs, noting that two or more signatures were missing per day and the Time logs were generally incomplete. Additionally, we noted instances where the invoices contained charges for security guard personnel that were not included on the Time Log. The Contractor stated that this occurs when a Security Guard covers for another post or works an additional shift as the Time Logs are completed based on the planned work schedule.</p> <p><b>Updated Personnel Rosters Not Provided:</b> The Agreement states that the Contractor shall provide updated personnel rosters...whenever changes in Contractor's personnel are made". The Contractor does not provide updated rosters.</p>	<p><b>Note:</b> For the sample of invoices tested, SMD management stated that there is no question that the Security Guards were at their posts due to the CCTV System monitoring. However, SMD management agreed that the Contractor cannot rely on the City's monitoring system as support for their invoices.</p>	<p>Implemented</p>	<p>invoice discrepancies before being forwarded to the appropriate Department for payment. In addition to CCTV monitoring, Security Guard Supervisors make random checks to ensure Security Guards are at their assigned posts. These site checks are recorded on the Field Service Supervisor Visitation Form and submitted to (SMD) on a monthly basis. Examined Security Officer Daily Post Schedule (Call-In Log), Time Logs, invoices and the Field Service Supervisor Visitation Form.</p>	<p>additional methods to support accuracy of invoices.</p>
<p><b>Updated Personnel Rosters Not Provided:</b> The Agreement states that the Contractor shall provide updated personnel rosters...whenever changes in Contractor's personnel are made". The Contractor does not provide updated rosters.</p>	<p>The Agreement requires an updated roster when changes in personnel occur. The lack of this document is mitigated by the fact that, as required by the Agreement, the Contractor submits a Weekly Work Schedule prior to the beginning of each week, which reflects current Contractor personnel assigned to the City and basically fulfills the purpose of the updated roster. We recommend that the City should consider omitting this requirement from future contracts of this type.</p>	<p>Implemented</p>	<p>Per discussion with Acting Deputy Assistant Director, the Contractor will continue to submit weekly work schedules to SMD prior to the beginning of each workweek. Examined the weekly work schedules submitted by the Contractor to the (SMD) management. Verified that the updated roster was actually eliminated from contracts.</p>	<p>Management agrees with Auditor that this requirement should be omitted from future contracts.</p>