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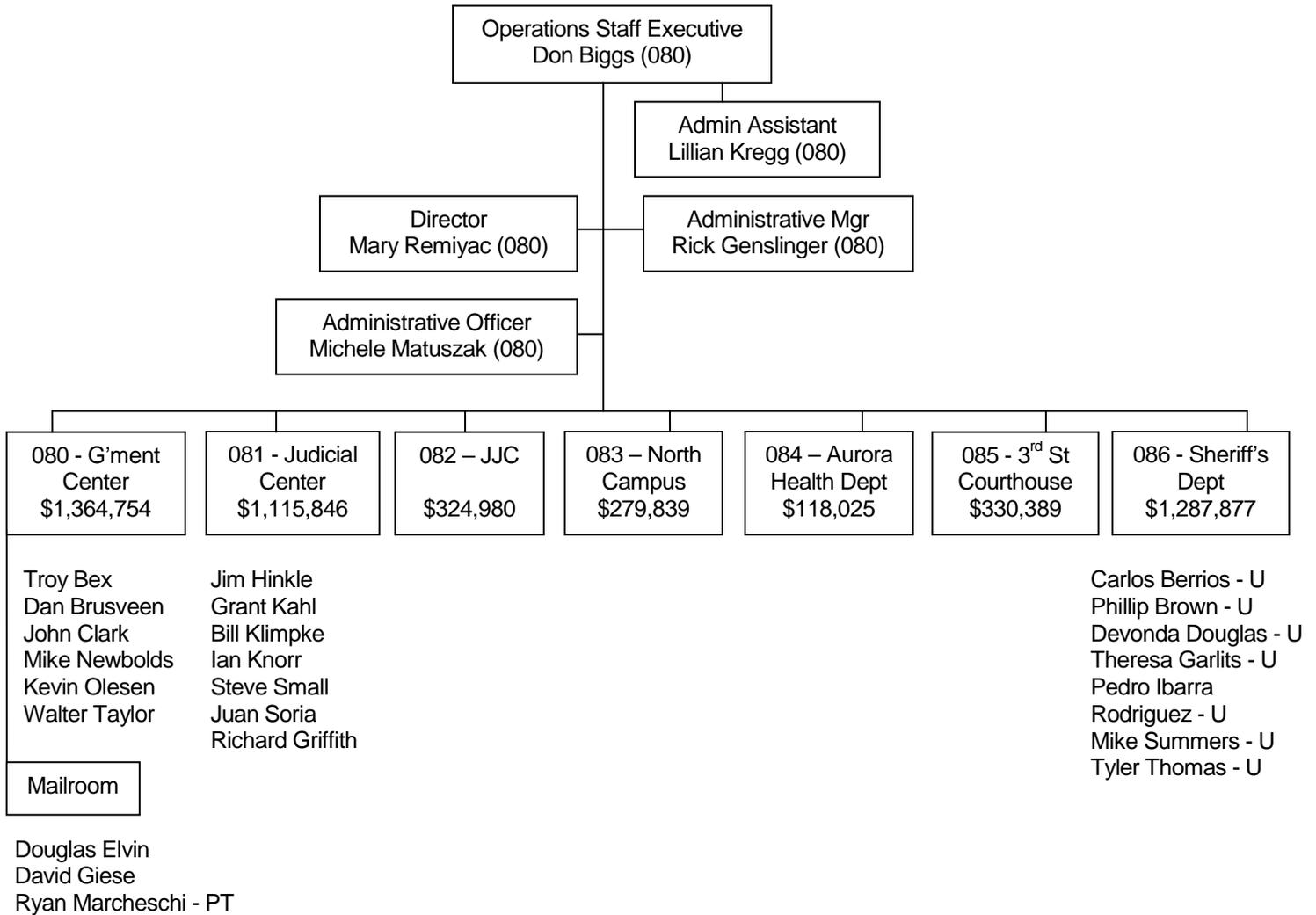
Building Management Audit

Background

The Building Management Department (1) handles all operations of maintenance including repairs, janitorial services and supplies, mowing and snow removal and (2) operates the mailroom including mail delivery and purchases of bulk copy paper, envelopes and county forms. Building Management is separated into the following NWS sub-departments:

- 080 - The Government Center is made up of multiple buildings: A (Main building), B (County Clerk/IT), C (Assessor/Recorder), E (Coroner), F (Mailroom), and G (Yellow house). Building Management expenses relating to the Diagnostic Center are also included in this sub-department for a total of 120,000 square feet.
- 081 - The Judicial Center is built on over 120 acres of land with a total of 186,000 square feet of building to maintain.
- 082 - The Juvenile Justice Center is an 80 bed facility. This very high security building is 67,000 square feet in size.
- 083 - The North Campus sub-department includes the Circuit Clerk, Branch Court, elections record storage for the County Clerk and County warehouse space totaling 108,000 square feet.
- 084 - The Aurora Health Department campus (Health Department and Aurora Court Services) is a combined 25,000 square feet.
- 085 - The Third Street Courthouse consists of the Third Street Courthouse, two Child Advocacy Centers, the Sixth Street School, Public Defenders and the Court Annex facility. The campus is a total of 109,500 square feet.
- 086 - The Sheriff's Department campus consists of the Sheriff's Department, Fleet Maintenance at the old Sheriff's facility, and the firing range for a total square footage of 242,000.

Building Management has 27 full time and one part time employee as depicted in the following organizational chart. 2015 expense budget is also included by sub-department.



The below chart illustrates the maintenance operation cost by location:

		<u>2015</u>	<u>sq feet</u>	<u>\$/sq ft</u>	<u>over/(under) the average</u>
Budgeted Expenses less S&B, Printing Supplies					
080	G'ment Ctr	496,867	120,176	4.13	0.33
081	Judicial Ctr	777,356	186,000	4.18	0.37
082	JJC	284,886	67,000	4.25	0.45
083	North Campus	279,839	107,940	2.59	(1.21)
084	Health Dept Campus	118,025	25,003	4.72	0.91
085	3rd St Courthouse	330,389	109,438	3.02	(0.79)
086	Sheriff's Dept	906,820	242,282	3.74	(0.06)
			ave	3.81	

Historical spend is as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expenses						
Budget	4,821,710	4,514,622	4,390,935	4,419,072	4,472,289	4,396,663
Actual		4,475,579	4,337,440	4,408,294	4,374,561	4,140,358
(Over)/Under		39,043	53,495	10,778	97,728	256,305
Budget Change year over year						
\$ Inc/(Dec)	307,088	* 587	(28,137)	(53,217)	75,626	
% Inc/(Dec)	7%	3%	-1%	-1%	2%	

* 2015 increase consists of \$104k S&B, \$102k contractual services and \$103k commodities.

Scope and Testing

- Discussed procedures and controls and year over year budget to actual comparisons with management.
- Reviewed select vendors for proper bidding/contracts, invoice approval, g/l coding and supporting documentation.
- Reviewed utility approach by location.

Findings/Recommendations

Management provided responses as included below. In the case that no management response is included, no response was provided at this time.

Finding 1: Purchasing policy states the following:

- Purchases greater than \$30,000 require a Request for Proposal and Board approval of the contract.
- Purchases under \$30,000 may be approved by the department head, however, these purchases are still subject to purchasing policy such as:
 - Certificate of Insurance must be obtained for all vendors providing services (other than products).
 - Purchases greater than \$500 must be in written form per Uniform Commercial Code. A purchase order fulfills this requirement.
 - Notification of prevailing wage rate is included on the purchase order.
 - Purchases greater than \$5,000 require three quotes to be submitted to Purchasing with the requisition.
 - Contractor disclosure form obtained for spend greater than \$15,000.

Building Management is not always following the purchasing policy. **In general, Building Management needs to adhere to the purchasing policy. In order to be in compliance, Building Management and the Purchasing Department need to establish roles and responsibilities (e.g., who is responsible for maintaining and renewing certificates of insurance, documenting prevailing wage rates, etc.) as well as agreed upon turnaround time (e.g., Building Management often needs orders placed the same day that a requisition is approved) in order to have compliance with the purchasing policy.** More specifically, the following examples illustrate instances where contracts are not in place or not utilized and quotes have not been obtained.

Example 1: Building Management spent \$70k with Unisource Worldwide (copy paper) in fiscal year 2014 without a contract. The state has a statewide contract with Midland Paper Company. **Building Management/Purchasing should pursue bidding for copy paper, perform an apples to apples comparison with quotes and state contract, and obtain Board authorization for vendor selected.**

Example 2: Building Management does not utilize a contract for envelope purchases (annual spend approx. \$14k). The Purchasing Department received four quotes from vendors for envelope purchases in March 2014, but didn't award the quote. The state has contracts with CENVEO and Midland for envelopes. For the standard #10 envelope without window, CENVEO was the low cost quote in the County's bid at \$24 per 1,000 quantity for a 10,000 order. The state price with CENVEO is \$42.04; the state price with Midland is \$25.06. The County was actually billed \$38.46 from CENVEO because (1) we didn't award the quote and (2) annual total quantities purchased have diminished causing CENVEO to raise prices charged to the County. **Building Management should pursue quotes for envelopes, perform an apples to apples comparison (e.g., average size of order, estimated annual quantity, delivery dock charges, etc.) with quotes and state contracts, and utilize selected vendor.**

Example 3: The following additional vendors have an average annual spend of \$5,000 to \$30,000 without competitive quotes/purchase orders/contracts:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>ave</u>
FEDEX	27,513	25,214	22,467	17,093	11,019	20,661
Fox Valley Fire & Safety	17,521	15,209	10,578	8,030	12,975	12,863
RR Donnelley (Presort Solutions)	10,055	13,234	-	-	-	11,645
HOH Water Tech	14,519	11,449	7,680	9,206	12,369	11,045
Crest/Good Manufacturing	12,560	5,008	-	-	294	8,784
Black Gold Septic	7,540	6,960	8,400	8,535	7,940	7,875
Sherwin Williams	6,147	7,399	10,074	5,306	7,742	7,334
Door Systems	5,696	3,025	13,461	1,435	2,519	5,227
Apex Industrial Automation	10,612	4,217	2,933	1,736	3,575	4,615

Some of these vendors (e.g., FEDEX) represent the purchase of a related, consistent product for which quotes should be obtained. Other vendors have a fairly consistent annual spend but are for unrelated products. In these circumstances, Building Management would benefit from pursuing discounted rates based upon normal annual spend, formally documenting the discounted rate and revisiting on a set schedule (e.g., every 2 years).

Finding 2: Professional services of architects, engineers and land surveyors are governed by the requirements of the Local Government Professional Services Selection Act, 50- ILCS 510.

50 ILCS states: “It shall be the policy of the political subdivision of the State of Illinois to negotiate and enter into contracts for architectural, engineering and land surveying services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable compensation.”

50 ILCS outlines the process for public notice, annual filing of statement of qualifications and performance by potential vendors, evaluation procedures, selection procedures, contract negotiation, etc. However, 50 ILCS allows for the political subdivision to bypass the process if “it has a satisfactory relationship for services with one or more firms.”

Currently, Kane County has a “satisfactory relationship” with Cordogan, Clark & Associates. We have a contract with Cordogan, Clark & Associates with rates and markups. **While the County’s purchasing policy specifically excludes services covered under the Local Government Professional Services Selection Act, bringing the contract to the Board for approval strengthens communication and transparency.**

Management response: Board approved Cordogan, Clark & Associates as the County’s architectural services provider in Resolution 15-19 at the February 10, 2015 Board meeting.

Finding 3: Currently, invoices are entered and approved in NWS by the administrative officer. Capital invoices are further approved in NWS by the administrative manager or director.

Best accounting practice would require a three-way match of the purchase order, receiving document and invoice prior to paying an invoice. Where purchase orders and receiving documents are available, this three-way match should be performed prior to payment. When all documents are not available, the most knowledgeable person on the purchase should sign off on the hard copy verifying receipt of goods/service and proper pricing.

To better align responsibilities with invoice approval and automate approvals, recommend that NWS approvals be automatically set up for the administrative officer to enter the invoices, the administrative manager/director to approve invoices, and the Department Head to approve invoices greater than \$5k.

Finding 4: The County spent \$74k (includes one-time project installation costs of \$20k) with Alarm Detection Systems (ADS) in FY 2014; Building Management’s spend with ADS is \$43k for FY 2014. ADS creates a new contract for each work order placed by the County. ADS creates a monthly or quarterly invoice then for each work order. Invoices paid can not be tied back to actual contracts with any accuracy. **Recommendation is to request ADS to consolidate billing and include description of each item (e.g., alarm at Building A, etc.). Furthermore, recommend that the budget for security be consolidated into Building Management allowing Building Management to oversee the overall vendor relationship and contract.**

Finding 5: Building Management processes and pays the majority of utility bills; however, a few bills (e.g., Animal Control, KDOT, Health Dept.) are processed and paid by other departments. Building Management is ultimately responsible for the County's utility usage and will play a key role in the County's energy reduction and potential capital projects to achieve the County's sustainability goals. **Recommend that all utility bills be reviewed, processed, paid and tracked and analyzed by meter/location through Building Management.**

Finding 6: Currently, some repair requests go through a Help Desk ticket, but others do not; sometimes the status of a ticket is communicated through Help Desk, other times not. If the functionality of the Help Desk software is more fully utilized, the repair request and follow up process would be more consistent allowing reporting metrics (e.g., number of tickets per month, average time open, etc.), informed customers (e.g., part has been ordered with expected installation date), and communication within Building Management to know the status of a request. **Recommend Building Management optimize their utilization of the Help Desk software.**

Management Response: New facility management software has been purchased and will be rolled out countywide by May 31, 2015.

Finding 7: Maintenance employees utilize local hardware stores for quick supply pickups. Spend at local hardware stores (Ace, Menards, Lowes, Batteries Plus) in FY 2014 was \$33k. There is no segregation of duties between ordering the supplies and receiving the supplies; thus, the opportunity exists for misappropriation. **To implement controls over the quick supply pickups, segregation of duties should be established.** This could be performed by a separate employee calling in a purchase order to the hardware store or an employee, other than the one picking up the goods, verifying receipt.

The Auditor's Office would like to sincerely thank Building Management for their support of the audit. The Purchasing Department was also instrumental in providing existing bids and contracts.



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