

GENERAL SERVICES DEPARTMENT



FY2024 Follow-Up Audit Report

Report# 2024-08

OFFICE OF THE HOUSTON CITY CONTROLLER

CHRIS HOLLINS
CITY CONTROLLER

COURTNEY SMITH
CITY AUDITOR



OFFICE OF THE CITY CONTROLLER
CHRIS HOLLINS, CITY CONTROLLER

May 8, 2024

The Honorable John Whitmire, Mayor

SUBJECT: REPORT #2024-08
GENERAL SERVICES DEPARTMENT (GSD) – FOLLOW-UP AUDIT REPORT

Mayor Whitmire:

As part of providing independent and objective assurance services related to efficient and effective performance¹, compliance, and safeguarding of assets, we perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.² We have completed follow-up procedures on remediation efforts performed by GSD management relating to:

Report Number	Report Title
2016-05	General Services Department Janitorial Services Contract Performance Audit
2018-05	General Services Department: American Mechanical Services, LLP Contract Performance/ Compliance Audit
2022-05	GSD - Comfort Systems Contract Compliance Audit

A total of ten open findings were related to these reports.

Our follow-up audit process uses a risk-based approach, which contains two primary components:

- Management Status Updates; and
- Audit Testing/Verification

The efforts of management and the procedures performed towards the remediation of the issues from previous audits are assessed under the four criteria below:

- Not Implemented:** No formal policy and/or no documented effort to address the audit finding.
- Incomplete/Ongoing:** Ongoing development of a process and/or effort toward a policy to address the audit finding.
- Substantially Implemented:** Significant effort directed toward remediation of the audit finding.

¹ GAGAS 1.21, 6.11, 7.13, 8.30, and 9.08

² IIA Standard 2500 Implementation Guidance – stresses the importance of having a process that “.... captures the relevant observations, agreed corrective action and current status.”



OFFICE OF THE CITY CONTROLLER
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(d) **Fully implemented:** Successful implementation of measures to address the audit finding.

Based on the procedures performed above, we believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards.³ Our conclusions are as follows:

Report #2016-05:

Two open findings: Based on our procedures, we conclude that these findings have a status of “**Fully Implemented**” and are considered closed.

Report #2018-05:

Six open findings: Based on our procedures, we conclude that each of these findings have a status of “**Fully Implemented**” and are considered closed.

Report #2022-05:

Two open findings: Based on our procedures, we conclude that these findings have a status of “**Fully Implemented**” and are considered closed.

Details of remediation activities are contained in Exhibits 1, 2 and 3 of the accompanying report.

We would like to thank GSD for their cooperation during the follow-up audit process and their commitment to the remediation process.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "C. G. Hollins", is written over a horizontal line.

Christopher G. Hollins
City Controller

xc: City Council Members
C. J. Messiah, Director, GSD
Enid Howard, Assistant Director, GSD
Darnesha Davis-Callier, Division Manager, GSD
Chris Newport, Chief of Staff, Mayor's Office
Courtney Smith, City Auditor, Office of the City Controller

³ See Exhibits for the Detailed Remediation Assessment

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Background

As part of providing independent and objective assurance services related to efficient and effective performance¹, compliance, and safeguarding of assets, we perform follow-up audit procedures to ensure that corrective actions are taken related to issues reported from previous audits.²

We have completed our follow-up procedures related to remediation efforts performed by management of the General Services Department (GSD), as they relate to findings contained in Audit Report #2016-05, *“General Services Department Janitorial Services Contract Performance Audit”*; Report #2018-05, *“General Services Department: American Mechanical Services, LLP Contract Performance/Compliance Audit”*; and Report #2022-05, *“GSD - Comfort Systems Contract Compliance Audit.”*

Findings issued under these reports are as follows:

REPORT #	# OF FINDINGS
2016-05	2
2018-05	6
2022-05	2

Audit Scope and Objectives

The audit procedures described in this report are based on remediation efforts for the ten open findings.

The objectives of our follow-up audit were to determine:

1. The status of each open item; and
2. The adequacy of the department’s remediation process to resolve open findings.

Procedures Performed

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained, reviewed, and assessed management’s status updates to open findings;
- Determined the findings for which management’s status updates indicated remediation;

1 GAGAS 1.21, 6.11, 7.13, 8.30, and 9.08

2 IIA Standard 2500 Implementation Guidance - stresses the importance of having a process that “... captures the relevant observations, agreed corrective action, and current status.”

- Determined and requested documentation necessary to support the finding status reported by management; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

Follow-up Approach

Our follow-up audit process utilizes a risk-based approach, which contains two primary components:

- Management Status Updates; and
- Audit Testing/Verification

MANAGEMENT STATUS UPDATES:

Our follow-up audit process includes sending requests for status updates on management's progress toward the remediation of open findings. Management provides status updates through an online portal. This information is then assessed by the follow-up auditor who considers (1) responsiveness to the original issue and (2) remediation of the issue.

AUDIT/TESTING VERIFICATION:

A management status update indicating that a finding has been remediated is then tested/verified by the follow-up auditor prior to being closed.

The information received through management status updates is used as a basis for follow-up testing. If necessary, additional supporting information is gathered by the follow-up auditor to provide sufficient and appropriate evidence to achieve our objectives. Once the testing/verification of a department's findings has been completed, the department's remediation process is then assessed as one of the following four categories:

- **Not Implemented** - No formal policy and/or no documented effort to address the audit finding.
- **Incomplete/Ongoing** - Ongoing development of a process or efforts towards a policy to address the audit finding.
- **Substantially Implemented** - Significant efforts directed towards the implementation of the audit finding.
- **Fully Implemented** - Successful implementation of the finding remediation.

Conclusions

Based on the procedures performed, we believe we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards.

CONCLUSION 1 - (AUDIT OBJECTIVE 1)

Our conclusions for the audit objective in connection with the status for each open item are as follows:

- **Audit Report #2016-05:** Both open findings from this audit are considered closed.
- **Audit Report #2018-05:** All six of the open findings from this audit are considered closed.
- **Audit Report #2022-05:** Both open findings from this audit are considered closed.

Please see Exhibits 1, 2 and 3 for the Detailed Remediation Assessment.

CONCLUSION 2 - (AUDIT OBJECTIVE 2)

Based on audit procedures performed, our conclusions on management efforts to remediate findings are as follows.

Audit Report 2016-05:

- Procedures performed revealed that management has instituted mechanisms for monitoring effectiveness of operational performance and ensuring that administrative and safety reporting is included as part of the documentation. Such measures include but not limited to:
 - Adoption of guidelines on the Pay or Play program developed by OBO for the monitoring of contractors and subcontractors.
 - Generation and review of the monthly reporting and compliance list of noncompliance contractors and subcontractors.
 - Changes to the contract provisions to include administrative reporting requirements such as the material safety data sheet, drug policy compliance declaration, contract compliance officer for drug testing etc.

These actions resulted in the remediation of the open findings and as a result, both findings are considered closed and **“Fully Implemented”**. Please see details in Exhibit 1.

Audit Report 2018-05:

- Procedures performed revealed that management has instituted mechanisms towards addressing the findings issued during the engagement. Measures include but are not limited to the following:
 - The establishment of Sprocket training for end users including managers and its inclusion as part of the HEAR. This is necessary to address the issue of lack of operational oversight of contracted work.
 - The review of vendor invoices by key management personnel to ensure that adequate support documentation is provided prior to payment.
 - The establishment of Standard Operating Procedure (SOP) to guide vendor callouts and invoice reviews.

As a result of these remediation efforts, these six findings are considered “**Fully Implemented**” and closed. Please see details in Exhibit 2.

Audit Report 2022-05:

- Procedures performed revealed that management has instituted mechanisms towards addressing the findings arising from the engagement. Such measures include but not limited to the following:
 - Performance bonds not required on service contracts.
 - Invoices are reviewed and properly supported by documentation prior to presentation and approval for payment.

As a result of these remediation efforts, both findings are considered “**Fully Implemented**” and closed. Please see details in Exhibit 3.

Audit Standards

We conducted follow-up audit procedures in accordance with Generally Accepted Government Auditing Standards issued by the Government Accountability Office and the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient and 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.

Acknowledgment

We would like to thank the management and staff of GSD for their remediation efforts and their cooperation during the follow-up audit process.

City of Houston
Office of the City Controller - Audit Division
Project: FY2024 Follow-up Audit GSD
General Services Department - Review Periods 2015 through 2023
Exhibit 1

Unique Reference	Audit Report #	Finding Title	Finding	Management's Status Update	Work Performed	Status
131	2016-05	REQUIRED ADMINISTRATIVE AND SAFETY REPORTING IS NOT ON FILE	<p>Documents demonstrating contractor and subcontractor compliance with administrative and safety requirements were not contained in GSD or SPD files. The lack of documentation hinders the City's ability to comprehensively monitor compliance. We requested documents supporting contractor and subcontractor compliance with several key contractual provisions related to administrative activities and safety to determine if those requirements had been met. Documents requested included those related to: 1) evidence of insurance coverage for McLemore and seven (7) subcontractors used during 2014, 2) documents on file with SPD to support adherence to Drug Abuse Detection and Deterrence Procedures for McLemore and all subcontractors, 3) evidence of employment eligibility verification (Form I9) for a sample of 41 subcontractors, and 4) Material Safety Data Sheet notebook including safety data sheets and other written reports of safety meetings.</p> <p>Evidence of insurance coverage for McLemore and all subcontractors was provided by McLemore however neither GSD nor SPD were able to find copies of the documents in their files. (See Exceptions Log #s 1 & 2)</p> <p>All applicable documentation required to support evidence of McLemore's compliance Drug Abuse Detection and Deterrence Procedures at contract signing was supplied by McLemore however no subsequent information was provided. SPD did not have copies of those documents in their files. (See Exceptions Log #s 3 & 4)</p> <p>No evidence of subcontractor compliance with Drug Abuse Detection and Deterrence Procedures reporting was provided by McLemore or SPD. (See Exceptions Log #s 3 & 4)</p> <p>No Material Safety Data Sheet notebook is on file. McLemore does not have any Material Safety Data Sheets for the period since contract numbers 4600012301 and 4600012338 were awarded. We did find evidence that safety meetings are being held periodically and reviewed 4 reports. (See Exceptions Log #12)</p>	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:01 PM): "The Strategic Purchasing Department is responsible for contract administration regarding Drug and Safety compliance. Contract OA 4600015659 contains the following fully executed forms: Exhibit ""C"" Drug Policy Compliance Agreement Exhibit ""E"" Drug Policy Compliance Declaration Beginning fiscal year 2022, GSD conducted a department wide review of contracts participating in the Pay of Play (POP) program to bring all eligible citywide contracts into good standing. McLemore is currently in good standing related to insurance reporting according to the Office of Business Opportunity's B2G system. Additionally, GSD created a new POP compliance officer (position?) last year specifically to track POP contract compliance and payroll/insurance reporting. "</p>	<p>Audit Division (AD) obtained a copy of email correspondence between GSD and Legal Department discussing contract changes referencing the janitorial contract. The email correspondence received from GSD detailed the sections of the contract that would change. Audit obtained a copy of the Fully Executed 1st Amendment _McLemore Contract the sections amended were 30.0 Minimum Wage and Employee Benefits and Exhibit "B" locations, Services and Fee Schedule for Contract No. 4600015659 Ordinance 2022-999. After reviewing McLemore amended agreement it includes the following administrative reporting requirements (a) Contract Compliance Officer for Drug Testing (CCODT), (b) Drug Policy Compliance Declaration, and (c) Material Safety Data Sheet. <i>The supporting documents was examined and found sufficient to remediate the findings the status will be changed to Closed - Verified.</i></p>	Fully Implemented

City of Houston
Office of the City Controller - Audit Division
Project: FY2024 Follow-up Audit GSD
General Services Department - Review Periods 2015 through 2023
Exhibit 1

Unique Reference	Audit Report #	Finding Title	Finding	Management's Status Update	Work Performed	Status
0	2016-05	MONITORING EFFECTIVENESS OF OPERATIONAL PERFORMANCE IS INCONSISTENT	<p>GSD does not have formal procedures in place to consistently monitor services performed under the contract and does not receive documentation from procedures that are occurring.</p> <p>The audit team requested documentary evidence of weekly payroll submissions, invoicing, supervision, and quality control activities occurring during calendar year 2014. Site visits were performed for visual evidence of contractor work performance.</p> <p>Contract requirements to hold monthly inspections, complete inspection logs, and formal monthly site tours have largely been replaced by use of McLemore's Work Ticket system. Meetings are held on an "as needed" basis however the meetings are not formally documented. (See Exception Log #s 7, 8, 9, & 10)</p> <p>Weekly labor logs required by contract are no longer kept in favor of using the contractor's electronic time and attendance system. Information from the electronic system is not provided to GSD. (See Exception Log #s 5 & 6)</p> <p>Neither McLemore nor the subcontractors were aware during calendar year 2014 that weekly payroll submissions were required and did not submit them. Submissions began in calendar year 2015 after notification by the Office of Business Opportunity (OBO). Payroll submissions for 2015 were on file, had been reviewed by OBO, and were determined to be in compliance with minimum wage requirements. (See Exception Log # 5)</p> <p>Several exceptions were noted during site visits to selected facilities. The conditions noted in the Exception Log were present at the time of the site visit without consideration of the cleaning schedule. The observations do not necessarily represent the constant state of the facility, however cumulatively they indicate the need for more consistent monitoring. (See Exception Log #s, 11, 13 through 32, & 34).</p> <p>A work order for power washing at one facility was requested and the contractor performed the request prior to the establishment of an executed PO contrary to GSD's internal expenditure control policy as detailed in Exhibit B, Section A. Subsection 4.2.6.2. (See Exception Log # 33)</p>	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:03 PM): "Last year (2022) GSD launched our new work order system FAMIS, powered by Accurent Analytics . This work order system was curated specifically to meet the needs of GSD, as well as built-in features in place to address many of the concerns in past audit findings. GSD has work instructions and process maps in place that helps us capture and track details like invoicing, work tickets, site visits, etc. All parties who initiate a work order (vendor or GSD staff) must provide and review supporting documentation prior to uploading an invoice. The features of FAMIS include required of completion for review by the AD and Division Managers prior to the submission of an invoice. The system also is tracks via status change alerts in the work order system.</p> <p>Lastly, Since the hiring of additional contract compliance staff, McLemore has had current payroll and insurance documentation in OBO's B2GNow system."</p>	<p>It was discovered that a performance scorecard is not being used by the department. However, GSD provided a copy of the Departments Pay or Play Procedures which are guidelines that are used to assist GSD personnel with contractors and subcontractors that are covered by the City's Pay or Play Program. Our review of the McLemore contract revealed that GSD is not required to obtain weekly subcontractor payroll reports, because that is not a role for the department. Audit reviewed the departments Monthly Reporting and Compliance list of non-compliant contractors and subcontractors as stated in number 8 of the Pay or Play Procedures. Audit obtained a copy of Contract Compliance Audits Standard Operating Procedures, dated June 2018, that provides guidelines to ensure goods/services/fees/facilities are properly authorized and approved. <i>The supporting documents was examined and found sufficient to remediate the findings the status will be changed to Closed - Verified.</i></p>	<p>Fully Implemented</p>

City of Houston
Office of the City Controller - Audit Division
Project: FY2024 Follow-up Audit GSD
General Services Department - Review Periods 2015 through 2023
Exhibit 2

Unique Reference	Audit Report #	Finding Title	Finding	Management's Status Update	Work Performed	Status
234	2018-05	LACK OF OPERATIONAL OVERSIGHT OF THE CONTRACTED WORK	We requested the work orders associated with the 47 GSD funded jobs in our sample of fifty (three were funded by other Departments.) There were only ten (10) work orders in Sprocket for the 47 jobs included in the review. Two of the jobs were covered by one work order.	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:13 PM): Since the inception of the new work order system, FAMIS, all work orders are logged, the progression of the work is monitored by status changes and finally closed when the work is completed and/or when the work is paid.</p> <p>Darnesha Davis-Callier (Thursday, June 28, 2018 10:47 PM): GSD's Training and Development Division collaborated with Property Management Division to facilitate Sprocket Work Order System Training for the supervisors on March 20, 2018. A SOP was developed to reinforce the training and best practices. Attached is a copy of the SOP and training Sign in Sheets. GSD has seen a tremendous decrease in the number of open work orders and improved use of the Sprocket system by the Property Management team.</p>	Audit received a copy of Property Management supervisor personnel HEAR goals dated 8/01/23 and identified Sprocket Training being included as part of the goals. A copy of SOP 101 - Sprocket End Users and Sprocket End User Training Sign-In sheets dated for 3/20/2018, in which 22 GSD manager personnel were in attendance, was also received. This demonstrated, training did occur and managers were in attendance. As of March 2023, GSD has implemented a new work order system called FAMIS 360. Audit obtained a copy FAMIS User manual and Training Sign-In sheets, which confirmed training occurred including the personnel in attendance. Reports were provided on the days FAMIS 360 training was held. <i>The supporting documents was examined and found sufficient to remediate the findings the status will be changed to Closed - Verified.</i>	Fully Implemented
235	2018-05	INADEQUATE DOCUMENTATION TO SUPPORT INVOICE PAYMENTS	<p>In a review of 47 invoices (i.e., original sample of 50 included invoices for three other departments who utilize the City-wide agreement with AMS), many of them had inadequate supporting documentation and some had multiple issues of non-compliance with the contract terms. The following issues were found in our review of the sample invoices:</p> <p>Two invoices, dated April 14, 2015 for \$43,443.71 and July 14, 2015 for \$11,543.21 were processed and paid by GSD without documentation to support the time, parts, and supplies charged on the invoices; GSD provided documentation for the \$43,443.71 invoice during the audit.</p> <p>Twenty (20) of the twenty-one (21) GSD funded bid jobs (i.e., proposed job total) reviewed did not include proof of authorization for AMS to proceed with the job.</p> <p>Six invoices were for jobs greater than \$3,000, but were not assigned to a unique P.O. (Service Release Order). Two of the six were posted to a blanket P.O. for 2015 disputed invoices, three others were posted to a blanket P.O. for FY2015 accruals, and one was posted to a blanket P.O. for FY2017 call-outs.</p> <p>Nine invoices did not include complete documentation to support the material and supply charges, such as receipts for gas permits or employee purchases used for the jobs.</p> <p>Four invoices included charges for reusable items including hand tools, such as a precision screwdriver, and personal items such as hip waders, etc.</p> <p>Six invoices included supplier/subcontractor invoices that included sales taxes.</p> <p>The labor hours charged could not be verified on four of the actual cost invoices.</p>	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:13 PM): Once services are procured through a service contract agreement, we have the flexibility to encumber and de-encumber funds for projects based on budget needs/restrictions. There are circumstances that call for GSD to de-encumber a Service Release Order and apply that budget to another project. This would explain why some invoices might not have an assigned unique PO number. Additionally, each department has a threshold based on prior year actuals. Any work performed above set threshold, requires a PRQ number in FAMIS, which results in a unique SRO number that is registered in FAMIS and then communicated to the vendor to be included on the invoice.</p> <p>Darnesha Davis-Callier (Thursday, June 28, 2018 10:22 PM): The current process for approval of callout services require the appropriate Property Management staff to validate all supporting documentation prior to submission to GSD Finance (Payables group) to process payments. GSD's Finance Analyst conducted Invoice Review and Approval Trainings on December 7, 2017, January 24, 2018 and January 30, 2018, which included procedures on callout services. Attached are copies of the training sign-in sheets.</p> <p>Additionally, GSD's Training and Development Division collaborated with the GSD Finance and Property Management Divisions to develop best practices and SOP around the review, documentation and approval of service invoices. A subsequent training was facilitated on May 23, 2018 to implement the best practices, appropriate supporting documentation and tools to assist with contract review and markup calculations. Attached are copies of the training sign-in sheets and SOP.</p>	Audit obtained a list of invoices for August 2023 and September 2023 from GSD Property Management Contract Compliance Team. Additionally, we obtained a list of work orders from GSD Property Management Call Center Team. Audit performed a random selection of ten invoices and traced them through the FAMIS 360 work order system to determine if the contractor is adding the required information to the invoice, the approved amount is paid, and ensuring that the invoice is being approved by a manager prior to payment. The test performed revealed that the ten (10) invoices tested were in compliance. <i>The supporting documents was examined and found sufficient to remediate the findings the status will be changed to Closed - Verified.</i>	Fully Implemented

City of Houston
Office of the City Controller - Audit Division
Project: FY2024 Follow-up Audit GSD
General Services Department - Review Periods 2015 through 2023
Exhibit 2

Unique Reference	Audit Report #	Finding Title	Finding	Management's Status Update	Work Performed	Status																																																								
236	2018-05	DUPLICATE PAYMENTS	<p>Audit performed a high-level review of the AMS invoice information gathered by GSD, looking for duplicate invoices based on the following criteria:</p> <ul style="list-style-type: none"> Jobs with the same AMS invoice number; Jobs with the same description at the same site performed within a month of each other; Jobs with the same dollar amount or nearly the same dollar amount (within \$300) for the same or similar work at the same site. <p>Audit identified the following potential duplicate invoices during the review. GSD confirmed with AMS items 1 through 3 below. Item 4 is pending verification with AMS.</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Invoice #</th> <th>Date of Invoice</th> <th>Posting Date</th> <th>Invoice Amount</th> <th>Location</th> <th>Comments</th> </tr> </thead> <tbody> <tr> <td>1) 02/03/2016</td> <td>S46417</td> <td>04/14/2015</td> <td>02/04/2016</td> <td>\$ 9,653.50</td> <td>8835 Long Point</td> <td>Repair gas leak</td> </tr> <tr> <td>06/08/2016</td> <td>S46417</td> <td>04/14/2015</td> <td>06/13/2016</td> <td>\$ 9,653.50</td> <td>8835 Long Point</td> <td>Repair gas leak</td> </tr> <tr> <td>2) 02/19/2016</td> <td>905574</td> <td>02/16/2016</td> <td>03/23/2016</td> <td>\$ 998.15</td> <td>500 McKinney</td> <td>Pipe broke in elevator shaft</td> </tr> <tr> <td>06/29/2016</td> <td>S48616</td> <td>12/29/2015</td> <td>03/30/2016</td> <td>\$ 998.15</td> <td>500 McKinney</td> <td>Pipe broken</td> </tr> <tr> <td>3) 08/18/2016</td> <td>935761</td> <td>07/28/2016</td> <td>08/31/2016</td> <td>\$ 1,165.06</td> <td>4102 W Lake Houston Pkwy</td> <td>Broken H2O line</td> </tr> <tr> <td>08/29/2016</td> <td>940073</td> <td>08/18/2016</td> <td>9/16/2016</td> <td>\$ 1,165.06</td> <td>4102 W Lake Houston Pkwy</td> <td>Broken H2O line</td> </tr> <tr> <td>4) 11/13/2015</td> <td>S48280</td> <td>10/31/2015</td> <td>11/16/2015</td> <td>\$ 1,206.25</td> <td>7277 Regency Blvd.</td> <td>New H2O</td> </tr> </tbody> </table>	Date	Invoice #	Date of Invoice	Posting Date	Invoice Amount	Location	Comments	1) 02/03/2016	S46417	04/14/2015	02/04/2016	\$ 9,653.50	8835 Long Point	Repair gas leak	06/08/2016	S46417	04/14/2015	06/13/2016	\$ 9,653.50	8835 Long Point	Repair gas leak	2) 02/19/2016	905574	02/16/2016	03/23/2016	\$ 998.15	500 McKinney	Pipe broke in elevator shaft	06/29/2016	S48616	12/29/2015	03/30/2016	\$ 998.15	500 McKinney	Pipe broken	3) 08/18/2016	935761	07/28/2016	08/31/2016	\$ 1,165.06	4102 W Lake Houston Pkwy	Broken H2O line	08/29/2016	940073	08/18/2016	9/16/2016	\$ 1,165.06	4102 W Lake Houston Pkwy	Broken H2O line	4) 11/13/2015	S48280	10/31/2015	11/16/2015	\$ 1,206.25	7277 Regency Blvd.	New H2O	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:14 PM): GSD accounts payable staff established a payment naming convention to catch duplicate invoice numbers. With the use of PRQs and work order numbers for tracking, we are able to differentiate the work based on description and scope.</p> <p>Darnesha Davis-Callier (Thursday, June 28, 2018 10:02 PM): GSD reconciled duplicate payments records and received an overpayment refund from AMS for \$11,816.71. We also implemented a Standard Operating Procedure (SOP) to conduct spot audits which will ensure that the designated approver is performing their due-diligence in reviewing service invoices.</p>	<p>Audit identified four (4) potential duplicate invoice payments in Report No. 2018-05. GSD received overpayment/refund credit in the amount of \$11,816.71 from vendor AMS of Houston for three (3) of the identified duplicate checks. The credit was issued in the form of a check to City of Houston-General Services, check number 140000404. Audit obtained the following documentation: A copy of AMS of Houston check in the amount of \$11,816.71, a copy of SAP G/L document demonstrating a credit to Building Maintenance Services G/L, and a copy of the Chase bank deposit slip showing the deposit was completed. <i>The supporting documents was examined and found sufficient to partially remediate the finding and the status to remain open, because we were unable to obtain any evidence in connection with the fourth duplicate payment amounting of \$1,206.25. Further inquiries revealed that management was unable to provide any evidence to support the receipt of the overpayment. However, the auditors determined that since over 90% of the amount under audit had been received, the remaining balance is considered insignificant. Furthermore, additional procedures performed through inquiries and observation to ascertain whether similar occurrences exist within the system did not reveal any incidences. Based on this, it is in the professional judgment and estimation of the auditors that this finding is considered "fully implemented".</i></p>	Fully Implemented
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08/29/2016	940073	08/18/2016	9/16/2016	\$ 1,165.06	4102 W Lake Houston Pkwy	Broken H2O line																																																								
4) 11/13/2015	S48280	10/31/2015	11/16/2015	\$ 1,206.25	7277 Regency Blvd.	New H2O																																																								
237	2018-05	2018-05 - NO APPROVED POLICIES AND PROCEDURES	<p>During the audit, we asked for all P&Ps or standard operating procedures (SOPs) guiding the AMS operating and invoicing functions. The GSD Financial and Administrative Services Division provided Work Instructions for only three processes. However, policies related to call-outs, invoice review, and the posting processes were not included. Also, the Property Management Division did not provide any P&Ps or SOPs for the AMS call-outs process.</p>	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:19 PM): GSD's Property Management Division has provided process maps and work instructions not just for AMS but all contracts, specifically related to call-outs. This is a training tool/reference resource that can be provided to any employee responsible for using the work order system, accounts payable functions and requisition entry.</p> <p>Darnesha Davis-Callier (Thursday, June 28, 2018 10:51 PM): GSD concurs with the Controller's Office findings and has added that function of creating and managing all P&Ps and SOP to our newly created Training and Development team's job duties. Attached are the three (3) SOP's implemented to address concerns related to these AMS Audit findings.</p>	<p>Audit obtained a copy of standard operating procedure 100 - Vendor Call Outs that were used to process all contracts. GSD also provided a copy of the sign-in sheets for Vendor Call Out Training and Invoice Approval Training. The standard operating procedure (SOP) was finalized on June 21, 2018. The SOP included a thorough procedure section relating to call-outs and invoice reviews. This procedure was applied to all facility maintenance vendor call-outs. <i>The supporting documents was examined and found sufficient to remediate the findings, as a result, the finding is considered Closed - Verified.</i></p>	Fully Implemented																																																								

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Unique Reference	Audit Report #	Finding Title	Finding	Management's Status Update	Work Performed	Status
238	2018-05	2018-05 – CONTRACT TERMS IMPROVEMENTS	<p>We reviewed the Contract for key terms and compared them to actual practices. We found the following differences:</p> <p>Paragraph 1.3 of Section III, Duties of City states, "the City will pay in less than 30 days in return for an early payment discount from vendor". The contract was set up by Strategic Purchasing in SAP without an early payment discount, but there was no documentation to support this deviation from the executed agreement by the vendor.</p> <p>The following contract terms from Exhibit B, Scope of Work were not followed:</p> <p>1) 2.3, "The Contractor shall maintain a stock of commonly used service parts to availability"; and</p> <p>2) 13.1, "Each invoice shall detail the following information 13.1.3, City Ordinance Number (only original Ordinance on invoices); 13.1.4, Copy of GSD work order; 13.1.5, Copy of Contractor's signed service ticket; 13.1.7, Dates and times when services were performed (no times indicated); 13.1.8, Parts or components repaired or replaced; 13.1.9, Manufacturer model and part numbers installed detailing net unit percentage markup, and total cost per line item."</p> <p>The contract is silent on the mark-up for Sub-contractors such as ones providing concrete work or line locating. AMS used 10% on an invoice dated July 18, 2014, which was after the</p>	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:21 PM): Participation for the early payment discount is at the discretion of the vendor. Once an invoice is received, it is date stamped with the received date and submitted for approval.</p> <p>Additionally, the City can perform random on site audits to review the vendor's stock or inventory. Through the implementation of the work order system, FAMIS, the vendor is required to upload the following on the invoice: •include the PRQ or WO number. •attached the quote/proposal/service ticket with the invoice which include, dates and times when services were performed. If applicable the description of work will detail if the project is a repair or replacement. Additional details like manufacturer model and part numbers installed detailing net unit percentage markup, and total cost per line item are also included on the invoice. Only mark-up charges outlined in the contract are permissible. Invoices that include a mark up higher than the approved percentage will be rejected.</p> <p>Darnesha Davis-Callier (Thursday, June 28, 2018 10:07 PM): The contract with AMS expired on 6/8/2019. GSD is currently working with both the Finance Strategic Procurement Division and the City of Houston Legal Department to incorporate the appropriate language involving sub-contractor's mark-up for invoices into the new City-wide Plumbing service contract.</p>	<p>Audit obtained a copy of the new AMS contract (4600015803), effective November 25, 2019. The new AMS contract contains amendments to include 32.0 Contract Administration/Contract Compliance Section. Exhibit B Scope of Service to include section 35.0 Invoicing, which provides specific terms that the invoice must obtain approval prior to payment. GSD also implemented SOP 100 Vendor Call Outs which details that the invoice should include approval prior to payment. 20.0 Materials, Equipment, Parts and Rental of Equipment Markup, 20.1 state's the limited agreement percentage markup. <i>The supporting documents was examined and found sufficient to remediate the findings, as a result the finding is considered Closed - Verified.</i></p>	Fully Implemented
239	2018-05	2018-05 – NO VERIFICATION OF CONTRACTOR'S USE OF LICENSED PLUMBERS	<p>After inquiry by Audit, GSD confirmed that they do not verify that AMS is using licensed plumbers as required by the terms of the contract. GSD deems this as AMS's responsibility. As a part of the audit, we asked AMS to provide a copy of the licenses for the plumbers detailed on their Service Orders in the actual cost invoices submitted to the GSD.</p> <p>However, AMS supplied proof of licenses for only three (3) of the twenty-three (23) plumbers requested. They also provided copies of the U.A. Plumbers' Local Union No. 68 form introducing 12 plumbers from our scope period and two that were not in the scope period. After accounting for the names of the known plumbers on the seventy-five (75) days on-site detailed on the AMS Service Orders in the invoices reviewed, there were sixty-two (62) days where a known licensed plumber was not on the job site.</p>	<p>Darnesha Davis-Callier (Thursday, August 31, 2023 2:23 PM): GSD requires AMS to show proof of the number of licensed plumbers on a quarterly basis. If the information is not provided we refer them to Legal and SPD.</p> <p>Darnesha Davis-Callier (Thursday, June 28, 2018 10:56 PM): Effective February 1, 2018, GSD assigned the role of validating plumbing contract compliance along with managing all plumbing service calls to the Licensed Master Plumber Leader or designee.</p>	<p>Audit obtained a copy of the current AMS contract that states in 1.0 Scope of Work 1.1 This contract is for plumbing services for the City of Houston. The Contractor awarded this contract shall have the experience and technical ability to accomplish any plumbing repair or plumbing work needed by the City. Section 14.0 Personnel Qualifications 14.1 states, 'The Contractor shall provide only qualified personnel with experience in the assigned tasks. The Contractor is responsible for ensuring that certified trained personnel... will be available to meet the service requirements of this Agreement.' Further inquiry with GSD management stated, a list of licensed plumbers are requested from the contractor on a regular basis. However, Audit obtained an unofficial list of licensed AMS Plumbers on staff from GSD. As well as a list of licensed GSD Plumbers on staff with the Department. Audit performed a search of the Texas State Board of Plumbing Examiners database to verify the status of each plumbers credentials listed on the unofficial list provided by GSD. <i>The supporting documents was examined and found sufficient to remediate the findings , as a result the status was changed to Closed - Verified.</i></p>	Fully Implemented

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Unique Reference	Audit Report #	Finding Title	Finding	Management's Status Update	Work Perormed	Status
321	2022-05	2022-05 NO PERFORMANCE BOND ON CONTRACT	<p>On January 1, 2015, Contract #4600013053 was signed between the City of Houston ("City") and Comfort Systems USA South Central, Inc. ("Contractor", "CSUSASC") in the amount of \$7,128,396.18, and was approved under Ordinance #2015-0031 for heating ventilation and air conditioning services for various departments. Audit procedures performed found no evidence that a performance bond was provided by the contractor in connection with this contract.</p> <p>Further inquiries were performed to determine the reason(s) for the non-inclusion of the performance bond as part of the contract documentations. CSUSASC management represented to the AD that they did not provide the performance bond because it was not required to do so, although performance bonds were submitted for the other two (2) contracts</p>	GSD will make sure that as a part of the scope of work for the HVAC contractors, that a performance bond is required.	<p>Audit contacted the Finance Department Strategic Procurement Division for additional clarity on performance bond as part of contracts. Per the Senior Procurement Specialist, contract number 4600013053 for HVAC Services, there was no performance bond requirement. Mr. Korthals also provided the purpose for obtaining a bond. Performance bonds are used to ensure satisfactory completion of contracted work. If a contractor is unable to deliver on their obligations, a performance bond allows the paying party to cover any additional costs due to their failure to deliver. Verified SAP, City of Houston Financial Reporting Program Construction/Bond Funds Status Report for FY2015 for certification of funds and GSD was not on the list. <i>The supporting documents was examined and found sufficient to remediate the findings the status will be changed to Closed - Verified.</i></p>	Fully Implemented

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Unique Reference	Audit Report #	Finding Title	Finding	Management's Status Update	Work Perormed	Status
321	2022-05	INVOICES NOT PROPERLY REVIEWED AND ADEQUATELY SUPPORTED PRIOR TO PRESENTATION AND APPROVAL FOR PAYMENT	<p>During the audit, we performed procedures to determine whether there were adequate internal controls established by management over contract payment process. Such procedures included, but not limited to determining whether:</p> <ul style="list-style-type: none"> a. there exists established proper authorization and approval process b. payments are supported by adequate supporting documentation c. work performed by the contractor is inspected and approved by competent personnel prior to payment. d. whether support documentation identified contract name and number personnel prior to payment. <p>Audit procedures revealed certain exceptions as follows:</p> <ul style="list-style-type: none"> a. we noted in six (6) of the 15 samples tested, there was no evidence of inspection, or certification of work performed, by department personnel prior to payment for work done. b. we noted instances of inadequate or no support documentation (e.g.: purchase orders (POs), certification of work etc.) as follows: <ul style="list-style-type: none"> • three (3) of the 15 samples tested related to GSD transactions were found with no support documentation • 31 out of the 45 invoices tested in respect of HAS transactions showed no evidence of support documentation c. we noted several instances of forms approved for payment using initials with no clear-cut indication of the name of the approving personnel or his/her designation as follows: <ul style="list-style-type: none"> • four (4) of 15 invoices approved for payment in connection with GSD transactions showed no proper documentation of approval • 30 out of 45 invoices approved for payment in connection with HAS transactions showed no clear-cut indication of the name of the approving city personnel 	<p>Proof of approved work can be found in the FAMIS system. An initial request required approval at the management level. At which point a decision is made on whether the work can be completed internally or contracted to a vendor. If a vendor is used sourced for the work, additional approvals are recorded for approval or scope (which includes a proposal) and budget. The contract name or vendor name can be found on the invoice.</p>	<p>Audit was granted access to GSD FAMIS360 work order system. Ten invoices were randomly selected and tested for adequate internal controls. There were certain exceptions revealed: 1. Evidence of inspection was unknown. However, invoices were signed. 2. We noted, three (3) out of 10 proposals were not in FAMIS360. 3. One (1) out of 10 invoices were not signed by a manager, however in the opinion of the auditor, this was considered an exception and not significant. As a result further audit testwork was not considered necessary. <i>The supporting documents was examined and found sufficient to remediate the findings the status will be changed to Closed - Verified.</i></p>	Fully Implemented

Audit Team

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Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>