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School Contracted Custodial Services

June 27, 2018

HIGHLIGHTS/OVERVIEW	1
INTRODUCTION	2
FINDINGS/RECOMMENDATIONS	
Monitoring Contract Requirements and Vendor Compliance	4
Transitioned Employee Pay	10
Expenditures	12
Program Results	15

June 2018

Highlights

Why We Did This Review

Internal Audit conducted this review as part of our FY18 audit plan approved by the County Administrator, School Board Superintendent, and the Audit and Finance Committee.

The audit objectives were to test custodial contract expenditures for proper support, approval, and procurement; evaluate custodial contract management, requirements monitoring, and transitioned employee pay compliance; and evaluate impacts, including cost savings and service level, with the switch to outsourced custodial services.

What We Recommend

- Evaluate pilot program results in developing future plans.
- Include staff responsible for managing service implementation in RFP process.
- Determine requirements monitoring frequency and procedures in advance.
- Develop procedures to monitor contract requirements and systematic approach to document results.
- Designate oversight duties to employee(s) with appropriate expertise.
- Require vendor provide any future transitioned employees with contracts for any negotiated terms and to document communication.
- Establish review process to match invoice charges to contract detail and amend contract to reflect service changes.
- Seek reimbursement for overcharges.
- Define process to determine adequacy of vendor response to reported issues.
- Establish communication process to monitor customer satisfaction.



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School Contracted Custodial Services



What We Found

Background

Traditionally, over 400 Chesterfield County Public Schools (CCPS) employees provided custodial services with day porters to address immediate school day needs and evening staff to provide production cleaning. To create additional efficiencies and maximize funding for instruction, CCPS began an outsourced custodial services pilot program in FY15 at eight school locations. Eight months into the pilot program, CCPS issued a new Request for Proposal (RFP) to expand outsourcing to the remaining 60 buildings over FY16 and FY17. Our audit work covered FY16 and FY17 contract management, compliance, expenditures, and results.

CCPS decided for FY19 to bring day porter custodians back in-house and contract with multiple vendors for after-hours production cleaning.

Monitoring Contract Requirements and Vendor Compliance

The one-year pilot program provided limited time to assess program results prior to the FY16 budget development and adoption. Lessons learned from the pilot program could not be fully implemented in the development and management of the expanded outsourcing service agreement. Some negotiated terms included in the custodial service agreement were difficult to monitor and report. CCPS did not establish procedures to monitor and document vendor compliance with 28 of the 38 negotiated terms from the service agreement. Communications with vendor regarding needs and expectations were challenged.

Transitioned Employee Pay

The custodial service agreement included six negotiated terms with guidance for hiring and continued employment for transitioned employees. CCPS did not monitor compliance and could not provide documentation where these expectations were communicated to impacted employees. We tested a sample of employees with available information and found that, while pay raise timing at transition did not match the agreement, Year One employees received a higher wage sooner than required under the contract.

Expenditures

CCPS paid vendor \$7,280,990 in FY16 and \$11,094,958 in FY17 for custodial services. We tested all FY16 and FY17 payments. Custodial service invoice charges by individual building were not fully matched to contract price prior to payment. We identified undetected overcharges of \$56,892.

School Facilities did not have a process in place at the contract start to compile school cleanliness inspection results. CCPS missed the opportunity to assess a 5% cost reduction for any schools not meeting cleaning requirements for the first 14 months of the contract. We estimate this could have resulted in cumulative credits up to \$273,000.

Program Results

Cost savings from outsourcing occurred; however, there were concerns with school cleanliness levels. Savings amounted to \$1,584,170, \$4,469,721, and \$6,457,889 in FY15, FY16, and FY17, respectively. During FY18, CCPS management identified future contracts should require minimum staffing levels to achieve their desired cleanliness. This conclusion agrees to our satisfaction survey of certain school principals that noted inadequate vendor staffing contributed to cleanliness not meeting building user expectations.

Management concurred with 14 of 14 recommendations to be implemented by October 31, 2018.

We appreciate the cooperation received from management and staff while conducting this audit.

INTRODUCTION

BACKGROUND

The School Contracted Custodial Services Audit was a regularly scheduled audit on the FY18 audit plan approved by the County Administrator, School Superintendent, and the Audit and Finance Committee.

Traditionally, over 400 Chesterfield County Public Schools (CCPS) employees provided custodial services to all schools and transportation buildings. School custodial services are typically separated into two shifts, with day porters to address immediate school day needs and evening staff to provide production cleaning. To create additional efficiencies and maximize funding for instruction, CCPS began an outsourced custodial services pilot program in FY15 at eight school locations. Eight months into the pilot program, CCPS issued a new Request for Proposal (RFP) to expand outsourcing to 41 buildings beginning in FY16, and 68 buildings beginning in FY17.

CCPS selected SSC Service Solutions (SSC) to be the custodial services vendor starting FY16. The RFP scope of work provided guidance on staffing, security, supervision, equipment, supplies, training, contractor responsiveness, and scheduling. It also prescribed an agreed upon American Physical Plant Association (APPA) model level of cleanliness.

During FY16 and FY17, CCPS management received complaints from school staff about facility cleanliness. While the original contract included penalties for not meeting cleanliness standards, CCPS modified the FY18 contract requiring 90% of schools meet cleanliness standards as a condition of contract renewal. After vendor was unable to meet this standard, CCPS decided to bring day porter custodians back in-house and contract with multiple vendors for after-hours production cleaning.

OBJECTIVES

Objectives of the audit were to:

- Test custodial contract expenditures for proper support, approval, and procurement.
- Evaluate custodial contract management, requirements monitoring, and transitioned employee pay compliance.
- Evaluate impacts, including cost savings and service level, with the switch to outsourced custodial services.
- Report results to management.

SCOPE

Our audit work covered FY16 and FY17 contract management, compliance, expenditures, and results.

We considered the following county and school policies during our audit:

Service Agreement #15-1146 for Custodial Services for CCPS	Amendments #1, 2 to Service Agreement #15-1146
County Administrative Policy, Purchasing 12-12: Competitive Negotiation	County Administrative Policy, Purchasing 12-15: Contract Administration
County Administrative Policy, Accounting 1-5: Bill Approval, Documentation, and Payment	

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. Chris Meade, Senior Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Our methodology included the following: interviews, observations, data analysis, and documentation review. Detailed information regarding the methodology can be found in the individual findings listed in the report.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

There were very few internal control procedures in place to provide reasonable assurance of achieving an appropriate level of control to assist management in meeting its missions, goals, and objectives.

CLOSING

We would like to thank CCPS Facilities, Maintenance, and Construction department staff for their cooperation and assistance during the audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Monitoring Contract Requirements and Vendor Compliance

(Point Sheet 1)

CRITERIA:

Authorities, roles, responsibilities, and accountabilities for contract administration should be clearly defined and communicated, including:

- Designating contract oversight duties to employee(s) with appropriate expertise.
- Documenting procedures for contracted services.
- Establishing performance measures to ensure quality and completeness of services.
- Consistent monitoring, analysis, and documentation of such performance measures for service delivery results.
- Proactively communicating with vendor on performance and results.

CONDITION(S):

Traditionally, CCPS employees provided custodial services to all schools and transportation buildings. A FY15 pilot program outsourced custodial services for eight schools to General Services Corp (GSC). CCPS did not assess and document pilot program results to support and recommend a future approach.

During the pilot program year, CCPS issued a Request for Proposal (RFP) to outsource custodial services for all schools and transportation buildings. Only one of six RFP selection committee members was part of the facilities department responsible for existing custodial services and future custodial services management. The committee consisted of 3 CCPS executive staff, 2 principals, and a facilities supervisor.

SSC was selected as the new custodial services vendor. The service agreement (#15-1146) included the eight original schools and phased in the remaining 60 buildings over FY16 and FY17. The RFP established the scope of work and specifications including general duties, building locations, square footage, cleaning standards, and frequency. The service agreement also set pricing per facility and added an additional 38 negotiated terms. The terms covered recurring and one-time requirements.

During the first year of custodial services outsourcing with SSC, CCPS also reorganized functions and experienced turnover in facilities administration including:

- Chief Operations Officer (COO) hired.
- Moved Facilities division from under the Chief Finance Officer to the COO.
- Director of Facilities retired.
- Director of Facilities position took on responsibilities for new school construction after separate director position eliminated.
- New Director of Facilities and Construction hired.

There was no systematic structure or dashboard in place to fully monitor the custodial services process from the performance of duties through to invoice processing. Outsourced services require

FINDINGS, RECOMMENDATIONS, RESPONSES

Monitoring Contract Requirements and Vendor Compliance

(Point Sheet 1)

more ongoing management than traditional purchase contracts. Contracted services also require different management skills and present unique challenges compared to directly supervising employees. Some items require active monitoring and reporting, while other items can be documented as accomplished or on an exception only basis.

The Director of Facilities and Construction oversaw outsourced custodial services. Contract compliance monitoring was spread across multiple school positions (i.e. Director, Facilities Services Supervisor, Facilities Services Coordinator, Building Operations Supervisors, Principals). Certain compliance was noted through a mixture of direct communication, emails, and vendor's software. Personnel are knowledgeable of their specific duties but there was not a comprehensive report documenting vendor performance for service agreement requirements.

We grouped the 38 negotiated terms into six general categories to evaluate procedures and documentation: RFP requirements, quality control, transitioned CCPS employees, required notifications, contractor management, and start-up. CCPS did not establish procedures to monitor and document vendor compliance with 28 of the 38 negotiated terms in five of the six categories (contract term numbers in parentheses):

Quality Control:

- Contractor shall attend and participate in performance meetings every two weeks to discuss any concerns with the intent of resolving identified performance issues. (5)
- Contractor shall submit an executive summary level report on a weekly basis identifying any outstanding issues, addressing how specific issues were resolved regarding cleanliness, staff showing up on time, etc., and overall how the contract is working. Upon consent of both parties, the frequency of this report may be reduced if performance supports a lesser frequency of reporting. (6)
- Contractor shall provide management oversight regarding quality assurance and accountability as follows:

Contractors management team is responsible for proper implementation of contractors Quality Assurance program in three categories:

- Team Coach, contractor's Web-based Quality Assurance program, to ensure measurable, consistent quality. Team Coach Inspections are generated randomly each day for each school in the district.
- Monthly report cards are sent electronically to building administrators.
- Scheduled client visits by the on-site management team and Regional Vice President.
- Contract project tasks will be entered in CMMS and Documents.

Contractor's managers are accountable for inspection scores, as well as Monthly Report Card grades. Scoring is reviewed by Regional Manager and the Regional Vice President. Monthly Report Cards are reviewed at every level including the President of SSC. Contractor in turn compiles the data and shares the information in Quarterly Business

FINDINGS, RECOMMENDATIONS, RESPONSES

Monitoring Contract Requirements and Vendor Compliance

(Point Sheet 1)

Reviews (QBR). Contractor's QBRs bring the users and the providers of Custodial Services together in a formal review to evaluate progress and set goals. All quality assurance information shall be shared with CCPS Contract Administrator. (26)

Transitioned CCPS Employees:

- Contractor shall keep staff hired from CCPS in their current buildings, if applicable. (9)
- Contractor shall pay CCPS employees that transition in Year One and Year Two at their current wages at the time of transition. (10)
- Contractor shall give priority to full time CCPS employees for full time positions if they meet screening requirements for employment. (11)
- Contractor shall remain committed to keeping CCPS employees employed at a full time status going forward. (18)
- Contractor shall arrive on-site within 24 hours of notification of award to begin speaking with employees. (21)
- Contractor shall increase hourly rates for Year One CCPS employees that transition to SSC by 2% effective after the first year of performance. (23)
- Beginning in Year Two of the contract, Contractor shall increase employee wages based on a performance rating scale of 1-5. (24)
- Contractor shall provide current CCPS employees the opportunity to work for 260 days annually at their current wage rate, provided such CCPS employees follow the requirements of Contractor's policies, procedures and employee handbook. (35)

Required Notifications:

- Contractor shall provide notification in a timely manner to the CCPS Custodial Services Contract Administrator, Principal, Assistant Principal, and Office Manager when there is an absence and provide information regarding any substitute to be provided. (2)
- Contractor shall provide to the Principal at each school the names of staff assigned to each shift along with a copy of their photo identification. (3)
- Contractor shall post the monthly call schedule for coverage from 5 a.m. - 11 :30 p.m. (which includes holidays and events) so that it is clear who the contact person is. (28)
- Contractor shall introduce new employees face-to-face to building administrators. (29)
- Contractor shall immediately notify the CCPS Human Resources Director of the arrest of any employee, or of any disciplinary action that threatens CCPS students, personnel, and/or property, as soon as contractor is aware of such an occurrence. Contractor shall check the sexual offender's registry monthly and perform national background checks on an annual basis for all active employees. With the assistance of CCPS, the contractor shall partner with the local police department. (36)

FINDINGS, RECOMMENDATIONS, RESPONSES

Monitoring Contract Requirements and Vendor Compliance

(Point Sheet 1)

Contractor Management:

- Contractor shall allow the CCPS Facility Coordinators to have the option to participate in the Building Rental rotation schedule at each location if they so desire. Contractor shall work with CCPS to schedule such rotation. Contractor shall have no liability for CCPS Facility Coordinators. (8)
- Contractor shall present three candidates for Regional Manager and solicit input from CCPS representatives regarding finalizing the selection for the Regional Manager position for CCPS. (16)
- The contractor Regional Manager shall be dedicated solely to CCPS from contract start throughout the contract and shall be located on-site in accordance with the scope of work. (17)
- Contractor shall comply with the insurance requirements delineated in the RFP. (22)
- Contractor's Contract Manager positions shall spend most of their time working in the evening hours. (25)
- Contractor shall provide additional training to their staff as dictated by CCPS' particular needs as well as contractor's experience in the education market. (27)
- Contractor's Contract Manager(s) shall begin shift(s) 30 minutes before school based personnel. (30)
- Contractor's Regional Manager shall reside in Chesterfield County. (34)
- Contractor shall comply with any CCPS request to communicate with the media in a timely manner. (38)

Start-up:

- Contractor shall provide a dedicated Start-up and Transition Team to CCPS for the initial 120-160 days. As a function of that team, the contractor's Human Resources staff shall meet with the hourly associates both in group settings and individually in the initial phase of the Start-up. After the initial 160 days, the contractor's Human Resources staff shall meet with hourly associates and offer support as needed. (31)
- In addition to the contractor's Start-up and Transition Team, the contractor shall utilize additional labor and logistical support from resources in the area, if necessary, for a quick start up. (32)
- Contractor shall provide a Chesterfield County Public Schools Transition Communication Plan. (33)

CAUSE(S):

- The FY16 budget, which anticipated savings of \$3.6 million compared to the FY14 budget based on outsourcing expansion, was adopted Spring 2015.
- The one-year pilot program provided limited time to assess program results prior to the FY16 budget development and adoption.
- During contract development, CCPS did not establish how all requirements would be monitored and reported.

FINDINGS, RECOMMENDATIONS, RESPONSES

Monitoring Contract Requirements and Vendor Compliance

(Point Sheet 1)

- Assigned personnel did not have the requisite knowledge and experience administering outsourced services.

EFFECT(S):

- Lessons learned from the pilot program could not be fully implemented in the development and management of the expanded outsourcing service agreement.
- Some negotiated terms included in the service agreement were difficult to monitor and report.
- Communications with vendor regarding needs and expectations were challenged.
- CCPS did not document vendor compliance with all outsourced custodial services requirements.

RECOMMENDATION(S):

We recommend CCPS Facilities:

1. Consider developing a procedure to evaluate future significant pilot program results to support and recommend whether to proceed, and if so, develop a plan for implementation.
2. Include staff responsible for outsourcing implementation on the RFP selection committee.
3. Evaluate desired contract requirements to determine level and frequency of monitoring and documentation prior to inclusion in finalized service agreement.
4. Develop procedures to describe how contractual requirements are being monitored and documented.
5. Develop a systematic approach or application to document monitoring and reporting of service requirements and results.
6. Designate contract oversight duties to employee(s) with appropriate expertise to monitor compliance and communicate with vendor.

MANAGEMENT'S RESPONSE(S):

1. *Concur. Chief Operating Officer (COO), Nita Mensia-Joseph will implement June 30, 2018. There are no plans to conduct any future pilot programs for contracted custodial services. Facilities supervisors will be made aware of the need for a procedure to evaluate future significant pilot program results. If a pilot program is planned in the future, a plan with measurable outcomes will be developed to evaluate the program.*
2. *Concur. COO, Nita Mensia-Joseph implemented January 30, 2018. Custodial Management responsible for the contract participated in the development of the RFP, and the evaluation and selection of vendors.*
3. *Concur. COO, Nita Mensia-Joseph implemented December 31, 2017. An analysis of all "industrial engineering level" study of cleaning requirement was conducted and reflected in the RFP. Vendors provided staffing levels and work hours along with other explanations to show that they could meet the level of cleanliness required during the vendor selection process. Contract administration procedures outline the monitoring requirements and frequency.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Monitoring Contract Requirements and Vendor Compliance

(Point Sheet 1)

4. *Concur. COO, Nita Mensia-Joseph is responsible for implementing June 30, 2018. Contract administration procedures outline the monitoring requirements and frequency.*
5. *Concur. COO, Nita Mensia-Joseph, Manager of Custodial Services, Darron Lane, and Director of Facility Maintenance and Construction, Kathy Sylvia are responsible for implementing June 30, 2018. Contract administration procedures outline the monitoring requirements and frequency.*
6. *Concur. COO, Nita Mensia-Joseph implemented April 30, 2018. The Custodial Manager is designated as having responsibility for contract oversight. He is supported by 4 Zone Supervisors.*

INDINGS, RECOMMENDATIONS, RESPONSES

Transitioned Employee Pay

(Point Sheet 2)

CRITERIA:

CCPS negotiated with SSC to hire as many displaced CCPS custodial employees as possible. The service agreement included six negotiated terms with guidance for hiring and continued employment for transitioned employees. Three terms described required compensation:

- Transitioned CCPS employees were to be paid at their current wages at time of transition.
- Year One transitioned employees were to receive a 2% increase in their hourly rate after the first year of performance.
- Beginning in year two, employees were to receive wage increases based on a performance rating scale of 1-5.

CONDITION(S):

227 employees were displaced in year one and year two as part of the outsourcing of custodial services. Meetings were held with displaced employees to communicate opportunities to transition employment to SSC. While compensation terms were described in publicly available contracts, CCPS could not provide documentation where these expectations were communicated to impacted employees.

CCPS did not have a process in place to monitor compliance for compensation requirements above. In response to a public inquiry in FY17, CCPS asked SSC to affirm compensation requirements for transitioned employees were met. SSC replied that compensation requirements were met, however CCPS did not review any detailed documentation to confirm this had occurred. CCPS requested as part of this audit that we test the compliance for transitioned employee compensation.

We selected a sample of 20 transitioned employees that started with SSC during the first and second years of the contract for testing. Using SSC provided payroll reporting for all transitioned employees, we found:

- 20 of 20 tested employees received wages at or above their current wages at the time of transition (negotiated term #10)
- 10 of 10 Year One employees received a 2% increase before their first year of performance, which was not required by the contract.
 - 0 of 10 Year One employees received an hourly wage increase after their first year of performance, as of July 1, 2016 (negotiated term #23).
 - However, 7 of 10 Year One employees received raises of 2% or more 2-4 months into year two.
- 0 of 20 tested employees received a raise after year two as of October 2017.
 - The contract did not require a timeframe for raises to be granted (negotiated term #24).

We requested sampled employee pay stubs to confirm compensation and performance review results to document contract compliance. However, those requests were denied by SSC. We could not confirm pay raises occurred or whether they were based on performance ratings without this

INDINGS, RECOMMENDATIONS, RESPONSES

Transitioned Employee Pay

(Point Sheet 2)

information. CCPS also requested this information on our behalf, pointing out that the contract requires SSC provide this information for an audit. SSC interpreted the contract allowed them to withhold information that violates their Human Resources policy, so they refused to provide pay stubs and performance reviews.

CAUSE(S):

- CCPS may not have clearly communicated compensation expectations with transitioned employees and SSC.
- SSC elected to provide Year One employees a 2% raise at transition rather than wait until after the first year of performance.
- Former CCPS employees were accustomed to fiscal year raises occurring on July 1, however, the agreement did not require a timeframe for raises to be granted.

EFFECT(S):

- While the timing of the pay raise at transition does not match the requirement of the agreement, Year One employees received a higher wage sooner than required under the agreement. However, employees may have expected another 2% pay raise after the first year of performance.
- The CCPS employees that transitioned to SSC may not have known how the negotiated terms affected their compensation.
- Compliance with negotiated terms relating to compensation could not be fully documented.

RECOMMENDATION(S):

As noted earlier in recommendation 5, we recommend CCPS Facilities develop a systematic approach or application to document monitoring and reporting of service requirements and results. We also recommend CCPS Facilities and Human Resources:

7. If terms are negotiated on behalf of displaced CCPS employees, document communication of negotiated terms to those employees.
8. Consider requiring vendor to provide any future transitioned employees with employment contracts that document service agreement negotiated terms.

MANAGEMENT'S RESPONSE(S):

7. *Concur. COO, Nita Mensia-Joseph and Director of Human Resources, Francine Bouldin are responsible for implementing June 30, 2018. There are no plans to displace any CCPS employees. In the event the situation arises, a plan will be developed.*
8. *Concur. COO, Nita Mensia-Joseph and Director of Human Resources, Francine Bouldin are responsible for implementing June 30, 2018. There are no plans to displace any CCPS employees. In the event the situation arises, a plan will be developed.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Expenditures

(Point Sheet 3)

CRITERIA:

County Administrative Policy 1-5, Accounting: Bill Approval, Documentation, and Payment outlines the procedures for bill approval, documentation, and payment for goods or services. The policy includes the following requirements: maintaining supporting documentation for all expenditures, using proper procedures and tax exemptions, and creating and approving invoices through authorized personnel. It also describes the policy against split purchases and duplicate payments.

CONDITION(S):

SSC began FY16 cleaning 41 buildings with the remaining 27 buildings phased in through FY17. SSC bills CCPS monthly for contracted custodial services. Cleaning charges for each building are based on price per square foot from Service Agreement #15-1146 for Custodial Services. The amount paid to SSC for routine custodial services including discounts was \$7,280,990 for FY16 and \$11,094,958. We tested all FY16 and FY17 payments to SSC for outsourced custodial services to determine if:

- Each invoice was mathematically correct, and amounts agreed to contract pricing.
- Any discount taken, or fees charged on the invoice matched the monthly custodial reports.
- Each invoice was approved by management personnel.
- Each invoice was paid in a timely manner (30 days).
- There were no duplicate payments.

We noted:

- FY16 monthly payments were relatively consistent with an invoice for each month averaging \$623,283.
- FY17 monthly payments were relatively consistent with an invoice for each month averaging \$939,292.
- There were no duplicate payments and all invoices were approved by management personnel and paid in a timely manner.
- CCPS requested SSC begin cleaning Monacan High School Addition in August 2016 without amending the contract to include the additional square footage.
 - The vendor did not bill CCPS for \$4,692 in monthly charges for the Monacan High School Addition until January 2017 and we did not see where CCPS noted the discrepancy on invoices through December 2016.
- Charges for minor additions of two transportation buildings added in Amendment #1 (Walmsley, \$127/month and Area 3, \$296/month) began in January 2016. However, instead of billing the monthly amount, SSC billed the annual amount (\$1,524 and \$3,556) each month. CCPS did not identify these overcharges.
 - For September 2016 invoice, SSC corrected the Walmsley billing and adjusted for cumulative \$11,029 overcharge

FINDINGS, RECOMMENDATIONS, RESPONSES

Expenditures

(Point Sheet 3)

- The Area 3 Transportation Building overcharge continued through FY16 and FY17 and totaled \$56,892.
- CCPS could not provide monthly reports documenting vendor performance results prior to September 2016.
 - At the start of the contract, CCPS filled out inspection sheets manually and sent them to SSC for tabulation. There was no clear agreement between CCPS and SSC on what inspection results constituted a failure to meet cleaning requirements.
 - After CCPS began tracking custodial performance electronically and calculating results themselves, they started producing monthly reports and taking a 5% cost reduction for schools in which SSC did not meet cleaning requirements as allowed in the service agreement.
 - CCPS missed the opportunity to assess a 5% cost reduction for schools not meeting cleaning requirements for the first 14 months of the contract. We estimate this could have resulted in cumulative credits up to \$273,000.
- SSC was required to decrease their monthly charges by \$262 for each eligible CCPS employee that did not transition and continue employment.
 - This credit began in July 2015 for 19 employees and increased as former CCPS employees left or retired from SSC.
 - SSC removed employees from the credit calculation after 12 months even though the service agreement did not limit the credit to 12 months. This resulted in the credit being underapplied beginning July 2016 through May 2017. We did not see where CCPS noted the discrepancy on these invoices.
 - The cumulative \$78,675 overcharge was credited back on the June 2017 invoice.

CAUSE(S):

- Service agreement was not amended to reflect square footage changes for Monacan High School Addition.
- Custodial service charges for individual buildings were not fully matched to the contract price prior to payment of invoices.
- Facilities did not have a process in place at the start of the contract to compile a report for school inspection results.

EFFECT(S):

- Invoice charges for Monacan High School Addition do not match service agreement pricing.
- Facilities overpaid SSC \$56,892 for custodial services for one building.
- Facilities relied on the vendor to compile their inspection results and did not take all potential discounts available in the contract for schools that did not meet cleaning and other requirements prior to September 2016.

FINDINGS, RECOMMENDATIONS, RESPONSES

Expenditures

(Point Sheet 3)

RECOMMENDATION(S):

We recommend CCPS Facilities:

9. Amend the contract to reflect any building square footage changes (additions, reductions, renovations, etc.).
10. Establish a process to review invoices to confirm the amount billed for each school ties to the amount listed for that school in the contract.
11. Seek reimbursement from SSC for overcharges for the Area 3 Transportation Building for \$56,892 through FY17 and any additional overcharges that may have occurred in FY18.

MANAGEMENT'S RESPONSE(S):

9. *Concur. COO, Nita Mensia-Joseph is responsible for implementing July 1, 2018. Square footage changes are evaluated annually with contract renewal. If square footages change during the school year, CCPS will modify the contract to reflect the change.*
10. *Concur. Director of Facility Maintenance and Construction, Kathy Sylvia implemented April 30, 2018. Procedure and form (by Vendor) created for the vendor to use for invoicing. Form shared with vendors at their orientation.*
11. *Concur. Manager of Custodial Services, Darron Lane, and Director of Facility Maintenance and Construction, Kathy Sylvia implemented May 15, 2018. Invoicing corrections applied to SSC's March 2018 invoice.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Program Results

(Point Sheet 4)

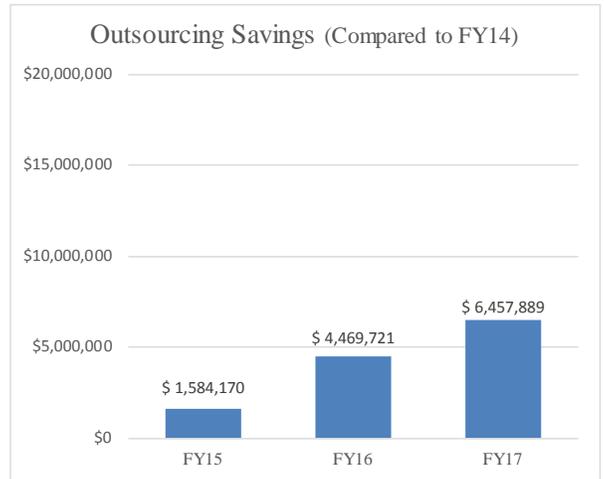
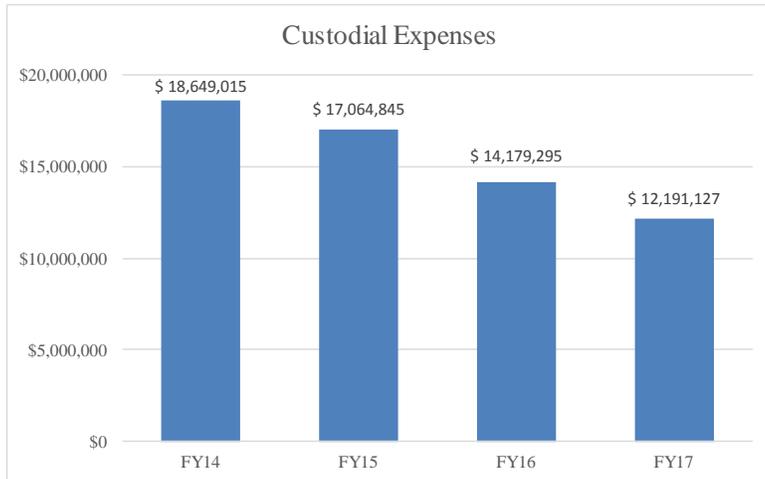
CRITERIA:

One of the CCPS guiding principles is to maintain a safe, supportive, and nurturing learning environment. Key to the effort is to maintain over eight million square feet of classroom and support building space through daily maintenance. Custodial services should be provided in keeping with high standards for an educational institution from the perspectives of sanitation, public relations, and protection of the physical facility.

Traditionally, CCPS employed over 400 personnel to provide custodial services to all schools and transportation buildings. CCPS identified an opportunity to reduce costs by outsourcing custodial services with the intent to maintain school cleanliness. A FY15 pilot program outsourced custodial services for eight schools. The remaining 60 buildings were phased in over FY16 and FY17.

CONDITION(S):

Cost savings from outsourcing occurred, however, there were concerns with school cleanliness levels. We examined the FY14 to FY17 spending for custodial services and noted a consistent decrease in expenses and an increase in computed savings as CCPS implemented custodial outsourcing.



These expenses and savings were in line with CCPS projections. Included in FY14 to FY17 expense savings is a reduction in workers' compensation claims, which decreased from \$1.4 million to \$635,000.

CCPS's approach toward the FY16-FY17 outsourced custodial services used a level of cleanliness concept. CCPS directed the outsourced custodial services contractor to meet and maintain the minimum acceptable level of cleaning standards of "Exceeds Standards" from the American Physical Plant Association (APPA) model. They also required the contractor adhere to a certain cleaning schedule.

FINDINGS, RECOMMENDATIONS, RESPONSES

Program Results

(Point Sheet 4)

CCPS management noted in the November 2017 Custodial In-sourcing Proposal that the APPA model provides a methodology to customize cleaning aspects to an organizations desired level of cleanliness. The RFP used a customized level of cleanliness that exceeded the APPA Level 2 standard in some respects. This standard went beyond the level of cleanliness that CCPS custodians were providing prior to outsourcing. Without prior custodial outsourcing experience, it was difficult for CCPS to manage a vendor for the first time and expect a higher level of cleanliness than was already being provided.

CCPS management also identified that, in addition to cleanliness levels, an outsourced custodial services contract must also establish adequate staffing levels. CCPS November 2017 Custodial In-sourcing Proposal illustrated the benchmarked cleanable square feet per custodian needed to accomplish the desired level of cleanliness. Minimum staffing levels required to meet this level were not mandated in the RFP. In the In-Sourcing proposal, CCPS illustrated custodial staffing levels before and after outsourcing. The outsourced staffing levels were well below what is needed to maintain the desired level of cleanliness. This conclusion agrees to our testing of custodial services satisfaction.

We conducted a satisfaction survey of six school principals (two Elementary, two Middle, and two High Schools). We asked about the levels of cleanliness, restroom supplies, responsiveness and appearance of custodial staff, and overall outsourcing performance results. The scores for nearly all categories indicated that the level of cleanliness and performance of the outsourced custodians did not meet expectations. Principals also noted that the performance of the custodians declined after the transition from insourced to outsourced custodial services and from the first to second year of outsourcing. Recurring survey responses included:

- Custodians don't take ownership/pride in work.
- Poor communication and supervision by SSC management, especially with night crews.
- Not enough staffing.
- Not enough supplies on hand.
- High staff turnover.
- Poorly trained staff.

Inspection reports by CCPS staff also illustrated the outsourced custodians' inability to maintain the level of cleanliness agreed to in the RFP. SSC was only able to maintain an average APPA score of 2.0 or lower in six buildings during FY17. We also found that CCPS conducted a consistent number of inspections from October to March 2017, but then dramatically increased inspections in April and May 2017. However, the overall inspection results did not change. These inspections are conducted by the Building Operations Supervisors (BOS). The BOS is responsible for basic school maintenance and requests and directs skilled tradesmen for more extensive repairs. The custodial inspections take a significant amount of time for the BOS to complete.

FINDINGS, RECOMMENDATIONS, RESPONSES

Program Results

(Point Sheet 4)

The CCPS proposed FY19 budget anticipates spending an additional \$7.7 million to add back daytime custodial employees and focus outsourced services on evening production cleaning. CCPS has notified SSC that its contract will not be renewed for FY19. Chesterfield County Purchasing Department has a RFP in process for future outsourced custodial services. We noted the current RFP:

- Seeks multiple firms to provide services by geographic zone.
- In addition to cleanliness standards, specifies custodial minimum staffing.
- Describes a daily inspection process.

CAUSE(S):

- CCPS focused on cost savings and the contract emphasized an APPA 2 cleanliness level without mandating minimum staffing requirements.
- Vendor employee turnover, inadequate staffing levels, and supervision may have contributed to poor performance results.
- Custodial inspection process and frequency varied over FY16 and FY17.

EFFECT(S):

- CCPS saved a cumulative \$12.5 million over FY15-17 by outsourcing custodial services.
- Outsourced custodial services did not meet the expectations of building users, with custodian performance declining from year to year.
- Time spent on custodial inspections by BOS reduces time available for other duties.

RECOMMENDATION(S):

We recommend CCPS Facilities:

12. Establish a consistent inspection process and frequency for CCPS staff to monitor and report vendor performance.
13. Define a process to determine the adequacy of vendor response to inspection issues items reported.
14. Establish a structured communication process to monitor customer satisfaction of building users by facility. Communications should include establishing cleanliness expectations, sharing inspection results, and receiving input from customers.

FINDINGS, RECOMMENDATIONS, RESPONSES

Program Results

(Point Sheet 4)

MANAGEMENT'S RESPONSE(S):

12. *Concur. Manager of Custodial Services, Darron Lane is responsible for implementing June 30, 2018. Inspection frequencies are uploaded on the BOS calendar and included in the procedure titled, "BOS Inspection Frequency Procedure," Revision 3 updated on February 8, 2018.*
13. *Concur. Manager of Custodial Services, Darron Lane implemented June 1, 2018. The vendor compliant form provides the basis of determining adequacy and recurrence of issues.*
14. *Concur. Manager of Custodial Services, Darron Lane is responsible for implementing October 31, 2018. Staff currently has a customer complaint form implemented but additional programs are planned to include posting cleaning frequencies at schools and in classrooms to help align occupant expectations with the contract and submitting a customer satisfaction survey for schools on a periodic (to be defined) basis for both day porters and vendors.*