

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Real Estate Services Department Facilities Management: Billing Audit



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Real Estate Services Department – Facilities Management Billing Audit

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February 23, 2021

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SUBJECT: BILLING AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter we have completed an audit of the Real Estate Services Department Facilities Management (Division) billing process for the period of July 1, 2018 through June 30, 2019. The primary objective of the audit was to determine if controls over the Division's billing for routine maintenance, grounds, and custodial services provided to County facilities are in place and effective. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Division on January 11, 2021 and discussed our observations with management on January 13, 2021. The Division's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Real Estate Services Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA

Auditor-Controller/Treasurer/Tax Collector

San Bernardino County

By: _____

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Summary of Audit Results

Our findings and recommendations are provided to assist management in strengthening internal controls and procedures relating to the Division's billing process.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	Services performed were not properly reviewed.	7
	We recommend the Division improve the functionality of Archibus to require supervisory review for services performed prior to invoicing in accordance with the ICCM. We also recommend the FM Billing System restrict the invoice generation process to Departments until supervisory review has been completed and adequately documented. We further recommend information entered into Archibus is verified for accuracy before it is sent to the Finance Division of the Real Estate Services Department for billing.	
2	Procedures over billing could be improved.	8
	We recommend the Division update Hourly Charge Rates in Archibus when rate changes are enacted. We further recommend the Division conduct and document periodic reviews to ensure Hourly Charge Rates have been properly updated in Archibus.	



BILLING AUDIT

The Division

The Facilities Management (Division) provides services to over 2.1 million square feet of County-owned and leased County buildings. The Division performs routine maintenance, grounds keeping, and custodial services to ensure County facilities are well maintained. Facilities Management operates 24 hours per day, seven days per week, including emergency building maintenance. Additional services provided by the Division also include repairing building structures, equipment, and fixtures. The Division focuses on asset protection by using data and support systems to maintain the County's valuable facilities and equipment, preserve a high level of functionality, support sustainability projects, and promote responsible and efficient use of resources.

Billing Process

The Division utilizes Archibus, an Integrated Workplace Management System which is used to track maintenance and improvement project requests from Departments within the County of San Bernardino. Service requests received by the department (work requisitions) are categorized as either billable or non-billable depending on the nature of the work. Costs for billable services are tracked using an hourly rate and billed to Departments based on actual hours incurred per project. In comparison, non-billable services are based on an annual average cost and billed quarterly as basic charges.

Facility Basic Service Charges (non-billable services)

The majority of the Division's funding is derived from Facility Basic Service Charges. Basic Services are identified as routine services performed by the Division and based on annual average costs per square foot for maintenance, custodial, and grounds services. Maintenance costs per square foot are further categorized by the type of facility to reflect the complexity and requirements of specialized or 24/7 facilities.



Hourly Charge Rates (billable services)

Billable services include work requisitions which in general, are charges for non-routine services that are not already included under the quarterly Direct Billing (Basic Services) charges. Requisitions for additional services, or charges to the Court and Judicial Council of California (JCC) are billed at approved labor rates or calculated using actual vendor costs plus the costs of materials. Requisition services that are fulfilled using third party vendors are billed to Departments at cost.

The Real Estate Services Department Administrative and Finance Division (Finance Division) is responsible for processing billable work requisitions. The Finance Division utilizes the Fiscal Reporting System (FM Billing database) which interfaces with Archibus to collect work requests from Departments. Work requests which are categorized as billable activities are processed on a monthly basis, using the accounting codes submitted by the requesting Department. Costs related to these activities are then transmitted through SAP for payment. In general, the Finance Division will bill for projects in the month following the date of project completion. Departments can obtain copies of monthly invoices via the Real Estate Division's website. The invoices include relevant details pertaining to the work requested and the services provided to Departments.

Annually, Real Estate Services (Division) reviews and determines Hourly Charge Rates for billable services. The Division then submits the rates for approval to the County Board of Supervisors. The 2018-2019 Hourly Charge Rates for Departments was approved by the Board of Supervisors within Board Agenda Item 21, dated April 3, 2018. Our audit focused on the Hourly Charge Rates (billable services) only.

There were 468 invoices within the audit period, pulled directly from the Division's Fiscal Reporting System- Requisitions and Basic Service Charges module. After conducting interviews with the Division staff and reviews of invoices pulled, it was noted that an invoice could include multiple work requisitions in a given month. A random sample of 20 invoices was selected for testing. Of the 20 invoices selected for testing, there were 106 related work requisitions. All 106 work requisitions were evaluated under the scope of this audit.



Scope and Objective

Our audit examined the controls over the Real Estate (Divisions)'s billing process for the period of July 1, 2018 through June 30, 2019.

The objective of our audit was to determine if controls over the Division's billing for routine maintenance, grounds, and custodial services provided to County facilities are in place and effective.

Methodology

In achieving the audit objective, the following audit procedures were performed, including but not limited to:

- Review of Division's internal policies and procedures related to the billing process.
- Interviews of Operation and Finance Division staff on policies, procedures, and processes relevant to the areas being reviewed.
- Walk-through of activities to obtain an understanding of the billing process and to identify key controls.
- Examination of original source documents, contracts, and system generated reports related to the Division's costs and services.
- Recalculation of billing costs for Departments billed throughout the County of San Bernardino.



Finding 1: Services performed were not properly reviewed.

The Internal Controls and Cash Manual (ICCM) Chapter 2-3 "Authorization" states that all transactions should be properly authorized and approved, which establishes responsibility. In addition, the ICCM Chapter 2-3 "Recording" states that all transactions and pertinent events should be accurately and properly recorded on documents and records.

The following conditions were identified during our audit:

- 14 of 106 work requisitions tested did not contain supervisory review for services performed.
- 60 of 106 work requisitions were reviewed by supervisory personnel after the Department was invoiced for services performed.
- 2 of 106 work requisitions had vendor names incorrectly entered into the Archibus system which were invoiced to the Departments.

Although Division procedures require all work requisitions have supervisory review and approval, a review is not required within the Archibus system; therefore, invoicing can be completed without evidence of supervisory review. The FM Billing system will invoice work requisitions that have been categorized as a billable transaction, even if it has not been reviewed by upper management.

When proper authorization and approvals are not obtained from upper management, the risk that transactions are not executed in accordance ICCM policies and procedures increases. Further, when relevant information is not accurately recorded, the reliability of the data decreases and billing errors may occur.

Recommendation:

We recommend the Division improve the functionality of Archibus to require supervisory review for services performed prior to invoicing in accordance with the ICCM. We also recommend the FM Billing System restrict the invoice generation process to Departments until supervisory review has been completed and adequately documented. We further recommend information entered into Archibus is verified for accuracy before it is sent to the Finance Division of the Real Estate Services Department for billing.

Audit Findings and Recommendations



Management's Response:

The Department concurs with the Findings and will take the below approach for corrective action.

The Department's Facilities Management section will implement a written procedure requiring all FM Supervisors to review all Maintenance Work Requests (WR) within 7 business days and once approved establish each WR as complete and billable. Therefore the FM billing system will only pull projects that have been reviewed. The written procedure will be implemented by March 2021.

Auditor's Response:

The Department's planned action will correct the deficiencies noted in the finding.

Finding 2: Procedures over billing could be improved.

On April 3, 2018, the Board of Supervisors approved the 2018-2019 Hourly Charge Rates for Departments. The Hourly Charge Rates state that the requisitions for additional services and charges to the Court and Judicial Council of California (JCC) should be billed at proposed labor rates or vendor costs plus material costs by the Departments for services rendered.

The following table summarizes the number of conditions identified during our audit:

Classification	Division Costs Invoiced to Departments (in dollars)	Recalculated Actual Cost to Departments (in dollars)	Total Cost overbilled/ Under billed (in dollars)	Number of Requisitions with Discrepancy
General Maintenance Worker	2,720	2,496	224	8
Sprinkler System Worker	912	968	(56)	2
General Service Worker II	468	402	66	4

14 of 106 work requisitions tested were invoiced at rates that did not agree to the board approved Hourly Charge Rates.

The incorrectly billed rates identified in this audit resulted in Departments being under billed by \$56 and overbilled by \$290 for services rendered. The Division stated the Hourly Charge Rates are programmed into Archibus and were not updated to reflect current approved rates. When correct rates are not used to invoice Departments, the risk that revenue amounts are not accurately reported increases.



Recommendation:

We recommend the Division update Hourly Charge Rates in Archibus when rate changes are enacted. We further recommend the Division conduct and document periodic reviews to ensure Hourly Charge Rates have been properly updated in Archibus.

Management's Response:

The Department concurs with the Finding. Currently the annual rates are entered into Archibus at the beginning of each fiscal year based on the approved Board agenda item on rates. The issue is Archibus applies the rate according to a crafts person's classification. When a crafts person promotes within the Department the classification needs to be updated in Archibus. The Department has implemented a procedure within the payroll function to notify the Archibus support staff of any internal promotion within Facilities Management. Based on the notification, the crafts person's classification is updated within Archibus immediately to ensure accurate billing.

Auditor's Response:

The Department's action will correct the deficiency noted in the finding.