

**FACILITIES/MAINTENANCE DEPARTMENT**

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**Audit Report No. FM0110**

**June 11, 2010**



**MENTAL HEALTH MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY**

**Internal Audit Report**

**AUDITOR'S REPORT**

**Facilities/Maintenance Department**

**Harris County, Texas**

**Internal Audit Report**

**June 11, 2010**

**Henry E. Webb, CFE**

**Internal Auditor**





June 11, 2010

Steven B. Schnee, Ph.D.  
Executive Director  
MHMRA of Harris County  
7011 SW Freeway  
Houston, TX 77074

Re: Facilities/Maintenance Department  
(Report No. FM0110)

## BACKGROUND

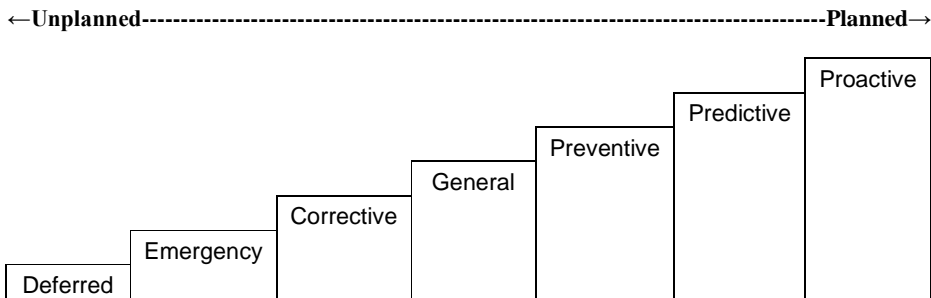
According to industry sources, managers of efficient and effective maintenance programs follow a standard ratio of 90 percent scheduled maintenance to 10 percent demand-based maintenance. As shown in **Exhibit 1**, maintenance operations comprise a continuum of activities based on the level of planning. At one end is deferred maintenance, which occurs when projects are identified as necessary but do not get done. Next are unplanned activities including emergency maintenance and corrective maintenance, which occur as the need arises; neither is planned far in advance. Planned maintenance follows on a continuum, although the maintenance categories are not mutually exclusive. General maintenance is the upkeep of building components to restore them to their original conditions or to keep them in good working conditions. Preventive maintenance follows as a planned program of periodic inspections, adjustments, and replacements. Predictive maintenance presents another degree of planned maintenance. A step beyond this is proactive maintenance, a highly structured practice that uses information to identify origins, not just symptoms of problems. In general, the more activity that is planned, the more efficient the operation.

The Facilities/Maintenance Department of MHMRA has established a priority ranking for incoming work orders for maintenance. Priority ratings include items such as non-critical to mission critical.

Any assessment of a maintenance program requires a critical look at the condition of the assets maintained. The Facilities/Maintenance Department of MHMRA has developed clear maintenance standards, useful performance measures, and data on the condition of Agency assets under the care of the department.

Approximately 22.9 percent of the Agency's net assets reflect its investment in capital assets such as land, building, vehicles and electronic equipment, less any related debt that may still be outstanding. The Agency uses these assets to provide services to the consumers that they serve.

**Exhibit 1  
Continuum of Maintenance for Facilities**



*SOURCE: Preventive Maintenance for Local Government Buildings, Office of the Legislative Auditor, State of Minnesota.*

**WORKORDERS**

Workorders are the key to providing services to customers. They show what needs to be done, where it is needed, who is responsible to perform the service and when it is scheduled to be performed. The Facilities/Maintenance Department generates a workorder from the software Trackit for basically one of three conditions: a customer request, a scheduled preventive maintenance task or an inspection. There were approximately 10,853 workorders generated during the audit period. Facilities/Maintenance is responsible for maintaining approximately 20 Agency locations.

Internal Audit reviewed the Department’s policy and procedure manual to determine if management had established workorder completion standards or monitoring guidelines. Written policies, procedures and an established monitoring process are important components of the internal control process.

The policy and procedure manual provides the guideline for carrying out management’s objectives. The guidelines detail what is to be done and the responsibilities for achieving the goals. They provide the means to insure the most effective use of resources. The objectives and goals guide the enterprise toward its mission. To be effective the goals and objectives should be understandable, easily communicated, acceptable and attainable. Policies are the general guidelines for action. Procedures are the specific guides for how an activity is to be accomplished.

The Facilities/Maintenance Department utilizes production standards that are used as a means of defining management’s expectations from the department. In addition, the standards can be used to evaluate individual and overall staff performance. These standards provide a basis for performance evaluation by measuring job performance. Evaluation of staff performance can be used as a means to identify the need for training in general or in specific areas, the need for equipment, the need for technology or the need for additional staff.

**Exhibit 2** presents the distribution of completed work order priorities as provided for the audit period.

**Exhibit 2  
Distribution of Completed Work Order Priorities**

<i>PRIORITY</i>	<i>DESCRIPTION</i>	<i>WORK ORDERS</i>
<b>1</b>	Preventive Maintenance	55.60%
<b>2</b>	Health, Safety, Interruption of Service	19.70%
<b>3</b>	General Repairs	17.49%
<b>4</b>	Special Service Projects	7.21%

**CAPITAL ASSETS**

**Table 1** presents MHMRA of Harris County's Capital Assets (Net of Depreciation) for the audit period (data available through Fiscal Year 2009).

**Table 1  
MHMRA of Harris County  
Capital Assets (Net of Depreciation)**

	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2005</b>
Land	3,219,943	3,314,761	3,314,761	3,414,853	3,414,853
Building & Improvement	13,097,691	14,176,580	15,298,891	15,799,573	16,649,196
Furniture & Equipment	459,229	622,188	925,585	1,396,356	2,095,048
Automobiles	236,548	182,496	157,345	186,051	281,518
Vehicles Under Capital Leases	362,907	484,013	335,560	84,389	155,166
Total Capital Assets	<b><u>\$17,376,318</u></b>	<b><u>\$18,780,038</u></b>	<b><u>\$20,032,142</u></b>	<b><u>\$20,881,222</u></b>	<b><u>\$22,595,781</u></b>

**SATISFACTION SURVEY**

In a survey by the Internal Audit Department, Agency staff indicated that their facilities were, for the most part maintained in good condition considering the age of some of the facilities

**Exhibit 3** presents results of Satisfaction Survey.

**Exhibit 3  
MHMRA Staff Satisfaction  
Facilities/Maintenance Department**

<b>MAINTENANCE ITEMS IN SURVEY</b>	<b>PERCENT SATISFIED</b>
Cleanliness of facility (14)	100%
Maintenance and repairs of facilities (19)	100%
Overall cleanliness of grounds (17)	94%
Cleanliness of restrooms (12)	92%
Maintenance and repair of restrooms (12)	92%
<b><u>OTHER ITEMS IN SURVEY</u></b>	
Quality of work completed (20)	100%
Courtesy of maintenance staff (20)	100%
Accessibility of maintenance staff (20)	90%
Response time of maintenance staff (20)	85%
Overall work order system (20)	95%

*SOURCE:* Internal Audit survey results collected June 2010.

*Note:* Number of respondents is in parentheses.

**COST ALLOCATION**

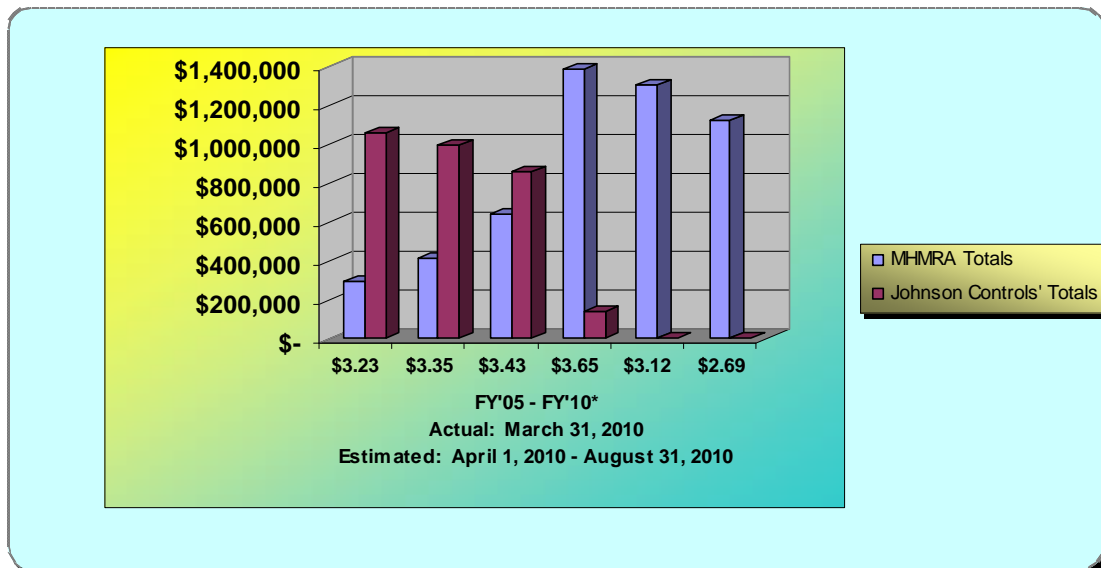
Internal Audit obtained a copy of the fiscal year end cost allocation worksheet. The allocations were tested for accuracy and posting accuracies. We found no material exceptions in the accuracy of the recorded costs or budget to actual variances.

## MAINTENANCE

For approximately three (3) fiscal years of the audit period, MHMRA of Harris County utilized the services of Johnson Controls, Inc. to provide preventive, routine, emergency, heating, ventilation air conditioning (HVAC), and general maintenance for fiscal years 2005 through 2007 and portions of fiscal year 2008, at which time maintenance was brought in-house. As of the audit date, total Agency square feet was approximately 419,053.

**Graph 1** presents the actual cost per square foot for maintenance for the audit period (estimate for Fiscal Year 2010).

**Graph 1**  
**Maintenance - Actual Cost**  
**Combined Johnson Controls, Inc and MHMRA**  
**Fiscal Year 2005 – 2010\***



## **OBJECTIVE**

The objectives of the audit were:

- (1) To determine whether the workorder process was adequate;
- (2) To determine whether preventive maintenance was adequate and functioning properly;
- (3) To determine whether the basis for changes from outsourcing to “in-house” maintenance was effective and efficient;
- (4) To determine how well the Facilities/Maintenance Department manages maintenance priorities;
- (5) To determine the efficiency of demand-based maintenance; and
- (6) To determine if the basis for fiscal year end cost allocation was accurate.

## **SCOPE**

The scope of the audit did not constitute an evaluation of the overall internal control structure of the unit. The examination was designed to evaluate and test compliance with established policies, procedures, laws, and regulations. The audit scope was for the period September 1, 2004 through March 31, 2010. Source documentation was obtained from the Facilities /Maintenance Department and the Agency's financial system. Original records as well as copies were used as evidence and verified through physical examination.

Department management is responsible for establishing and maintaining a system of internal controls to adequately comply with approved policy and procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or the degree of compliance with procedures may deteriorate.

The purpose of the audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. The audit report is not an appraisal or rating of management.

Although due professional care in the performance was exercised, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud will be detected. Specific areas for improvement are addressed later in this report.

Other minor findings, not included in this report, have been communicated to management and/or corrected during the audit process. Internal Audit would like to thank management and staff for their cooperation throughout the audit.

## **METHODOLOGY**

In order to meet the objectives, Internal Audit used process mapping and evaluated controls over the Facilities/Maintenance Department activities, reviewed the system relating to accounts, and reviewed laws, regulations, policies and procedures for compliance. Audit tests and procedures were conducted as considered necessary.

The sample size and selection were statistically generated using a desired confidence level of 90%, expected error rate of 5 to 6%, and a desired precision of +/-5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample of the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

## **STATEMENT OF AUDITING STANDARDS**

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS). Those standards require that Internal Audit plan and perform the audit to afford a reasonable basis for the judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. An audit also includes assessing the estimates, judgments, and decisions made by Agency management. It is believed that this audit provides a reasonable basis for the findings, conclusions, and recommendations.

**RESULTS**

As a result of the audit procedures and surveys conducted, it was determined that departmental compliance with established criteria to govern the Facilities/Maintenance Department activities generally meets Agency policy and procedures.

Further, based upon the test work performed, we concluded that the workorder process was adequate and that management has developed a Preventive Maintenance program. By bringing in the maintenance function "in-house" cost savings are being realized and the basis for fiscal year end cost allocations is accurate.

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Henry E. Webb, CFE, Internal Auditor

Cc: Rose Childs, MSW, Deputy Director, Mental Health Division  
Kenneth Collins, LMSW, Deputy Director, Mental Retardation Division  
Barbara Dawson, MSE, Deputy Director, Comprehensive Psychiatric Emergency Program Division  
Daryl Knox, MD, Medical Director, Comprehensive Psychiatric Emergency Program Division  
Sarah Flick, MD, Medical Director, Mental Retardation Services  
Sylvia Muzquiz, MD, Medical Director, Mental Health Services  
Jeanne Mayo, MS, JD, General Counsel  
Alex Lim, MBA, CPA, Chief Financial Officer  
Scott Strang, Ph.D., MBA, Chief Operating Officer  
External Audit Firm  
Audit Committee:  
Tom Hamilton, Ph.D. (Chairman)  
Jane B. Cherry  
Paige M. Cokinos  
Charles O. Buckner, CPA  
Vicki S. Raynold, CPA  
Bob Borochoff

**ATTACHMENT A**  
**SUMMARY OF RECOMMENDATIONS**  
 June 11, 2010

Unit: Facilities / Maintenance		
Area: Audit		
Inherent Risk:      Low <b>Moderate</b> High	Control Environment:    Well Controlled <b>Acceptable</b> Poorly Controlled	Overall Risk:      Low <b>Moderate</b> High
Type of Procedures: <b>Audit</b>		
Scope: * Using Internal Control Evaluation (ICEs) forms, documented internal controls * Conducted a preliminary survey reviewing applicable policies and procedures, etc. * Interviewed various staff, obtained understanding of management controls * Examined detailed receipts, vouchers, and supporting documentation		
Priority Rating:	Audit Recommendations:	
Follow-up:    As Risk Assessment Requires		

**Priority Rating**

1. Implement immediately (30 - 90 days) - Serious internal control deficiencies or recommendations to reduce cost, maximize revenues, or improve internal controls that can be easily implemented.
2. Work towards implementing (6 - 18 months) - Less serious internal control deficiencies or recommendations that can not be implemented immediately because of constraints imposed on the unit (i.e., budgetary, technological constraints).
3. Implement in the future (2 - 3 years) - Recommendations that should be implemented but that can not be implemented until significant and/or uncontrolled events occur (i.e. legislative changes, buy and install major systems, requires third party cooperation).