

**UNM PHYSICAL PLANT DEPARTMENT  
AUDIT OF SELECTED BUSINESS PROCESSES**

**THE UNIVERSITY OF NEW MEXICO**

**Report 2008-04  
April 2, 2009**



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## ABBREVIATIONS

Areas.....	Area Maintenance Shops
BR&R.....	Building Renewal and Replacement
CWC.....	Centralized Work Control
Engineering.....	Engineering and Energy Services Division
Finance.....	Finance and Services Division
HSC.....	Health Sciences Center
HR.....	Department of Human Resources

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CONTENTS

I&G.....	Instruction & General
Maintenance.....	Maintenance and Planning Division
PM.....	Preventive Maintenance
PPD.....	Physical Plant Department
TMA.....	TMA Systems Maintenance Management Software
UNM.....	The University of New Mexico

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## **EXECUTIVE SUMMARY**

As part of the fiscal year 2008 audit plan, the Internal Audit Department conducted an audit of The University of New Mexico (UNM) Physical Plant Department (PPD). The audit focused on selected business processes in the Finance and Services Division. Fieldwork included interviews with the PPD personnel, review of processes and procedures, and analysis of various transactions and transfers of funds. Throughout the audit, PPD management proactively endeavored to implement our recommendations for improving quality control, reporting, and conflict resolution. The audit recommendations address the internal control structure, compliance with policies and procedures, and specific issues that arose before and during the audit. The following summary provides management with an overview of our recommendations.

### **CENTRALIZED WORK CONTROL**

Management should establish a strong management structure in the Centralized Work Control department (CWC) and strengthen internal and operating controls. The Director of Physical Plant responded PPD is assessing its organizational structure and is developing and strengthening its internal processes.

### **ACCOUNTING SYSTEM AND ACCOUNTING PROCEDURES**

Management should work with the UNM Controller's Office to assess the effectiveness of current accounting and reporting systems and establish a clear audit trail. PPD is collaborating with Institutional Support Services, the UNM Office of Planning, Budget and Analysis, and the UNM Controller's Office to develop an effective accounting and reporting structure.

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## INTRODUCTION

### BACKGROUND

PPD is responsible for the care and upkeep of the physical campus environment, including the indoor and outdoor environment of the North Campus, Main Campus and South Campus. The department also maintains the University's energy systems, providing electricity, steam, chilled water and domestic water to the campus through its own distribution systems.

PPD consists of five Divisions: Engineering and Energy Services, Environmental Services, Finance and Services, Maintenance and Planning, and Utilities. Each division is responsible for staffing, budgeting and allocation of financial and non-financial resources. Each division is managed by an associate director that reports to the Director of PPD, who reports to the UNM Vice President for Institutional Support.

- The Engineering and Energy Services Division (Engineering) provides engineering and technical support for facilities on UNM campuses. This division provides significant contributions to the planning, design, construction and operations of utility and building systems, and energy management.
- The Environmental Services Division includes Automotive & Fleet Services, Grounds & Landscaping, Custodial Services, Sign Shop, and Special Activities (providing support for special events, campus moves, and University House).
- The Finance and Services Division (Finance) includes Accounting, Human Resources, Information Systems, and Centralized Work Control departments.
- The Maintenance and Planning Division (Maintenance) is responsible for the maintenance, repair and remodeling of the built environment, including building renewal and deferred maintenance planning. This division also includes the Lockshop.
- The Utilities Division is responsible for the operation and maintenance of the campus utility generation and distribution system, the campus energy conservation program, and the building environmental control systems. The system includes the Ford Utilities Center, the Co-Generation Plant, the Health Sciences Chiller Plant, the new Lomas Chilled Water Plant, and the North and Main Campus electrical substations.

All of the divisions contribute to the planning, design, and construction of the campus(es). For fiscal year ending June 30, 2008, the Physical Plant Department's total budget was \$79,862,910, and there were 508 full-time equivalent positions. Funding for the department comes from Instruction and General (I&G) and non-I&G sources on both the Main Campus and Health Sciences Center. For FY 2007-08, \$24,758,476 was transferred from I&G to Capital Projects for Building Renewal and Replacement (BR&R). BR&R funds are managed jointly by PPD and the UNM Budget Office.

In 1994, the Facilities and Maintenance Division was reorganized from a traditional campus-wide trade-shop organization to a zone configuration with four separate Area Maintenance Shops (Areas) located around campus. The zone concept was modeled after Los Alamos National Laboratory, which, like UNM has operations spread out over a wide geographic area. The reorganization was aimed at increasing customer service by improving response time and building stronger relationships with building coordinators. Each Area is challenged by the uniqueness of its facilities, such as the Health Sciences Center, Athletics, and Academics. The Areas maintain a degree of flexibility regarding financial analyses, but all operate under the same general guidelines for reporting, expenses, and staffing levels.

In November 2006, the work control process was centralized into a single Centralized Work Control Department (CWC) reporting under Finance. The service call coordinators from each Area were physically relocated to the CWC, and a complex model was developed to implement centralized operations. All PPD work orders are now managed by CWC. The process includes receiving service requests, creating work orders, distributing work orders for assignment, processing and documenting completed work orders, and producing work order status reports. CWC was placed under Finance because the work control process is driven by paperwork processed through the Banner accounting system and the TMA Systems Maintenance Management Software (TMA). TMA creates, processes, and manages work orders, and accumulates time and project costs that feed into Banner.

## **PURPOSE**

The purpose of our audit was to assess the control structure, to determine compliance with policies and procedures within Finance, and to address certain complaints within PPD.

## **SCOPE**

The audit centered on the organization of the division, the allocation, use and transfer of BR&R funds, the centralized work control process, and accounting and reporting procedures. The audit procedures included analyzing the business procedures and practices currently in use and assessing the adequacy of documentation of those procedures. The audit focused on Finance, however, we interviewed personnel at all levels throughout the Maintenance, Environmental Services, and the Engineering Divisions. During the audit, we expanded our scope to include a more in-depth review of PPD accounting systems. The fieldwork was completed on January 28, 2009.

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## **OBSERVATIONS, RECOMMENDATIONS AND RESPONSES**

### **CENTRALIZED WORK CONTROL**

The CWC is responsible for documenting and monitoring work orders for all PPD projects, preventive maintenance actions, and special requests. Work orders are tracked through TMA which feeds accounting information into the Banner Finance system. PPD management estimates that there are approximately 40,000 work orders generated each year at PPD, and that of these approximately 25% are preventive maintenance (PMs) work orders which are automatically generated by TMA. Approximately 80% of all work orders are carried out by Maintenance.

PPD experienced implementation problems in centralizing work control leading to operating problems affecting all of PPD. Although careful consideration was given to the impact on the centralization on the area maintenance operations, some assumptions were incorrectly made concerning assimilation of service call coordinators into a complex system, and management did not fully consider all of the division of responsibilities for the work control process.

#### **Reorganization of Centralized Work Control**

CWC is managed through Finance which does not appear to be a logical reporting line. In addition, operational differences between Finance and the information needed by Maintenance affected the ability of CWC to effectively deliver services. The following issues were noted concerning CWC.

- Successful implementation was not defined, and there were no benchmarks established to evaluate progress toward goals.
- Problems arising from incorrect assumptions or incomplete planning include:
  - Inadequate delegation of authority, leading to confusion in reporting structure;
  - Resistance to new system by Area managers;
  - Inconsistent documentation and processing of work orders;
  - Lack of coordination and ineffective communication between departments interfacing with CWC; and
  - Delays and backlogs in processing documentation.
- The CWC function was delayed in becoming fully centralized due to the unique requirements and demands of each division. The work control functions for Utilities PM, Custodial Services, and Grounds and Landscaping were phased in over time and are now complete.
- Weekly and bi-weekly meetings have not been effective, and CWC lacks a proactive approach toward planning and implementing procedures and processes.

- Due to the unique nature of their responsibilities, PPD divisions operate independently and are often unaware of the roles and responsibilities of other employees and departments in relation to CWC.
- Although the Associate Director of Finance has the authority to intervene in CWC and PPD processes to implement corrective actions, CWC has had three managers since inception, leading to inconsistent delegation of authority and operating procedures.
- The culture at PPD has developed gradually over time with a long history of issues that predate current leadership. Auditors observed senior management engaged in attitudes and behaviors that inhibited a harmonious and productive work environment within certain management ranks.

### **Recommendation 1**

Management should reorganize the work control function; CWC should report directly to the Director of PPD.

### **Response from the Director of Physical Plant Department**

*The Physical Plant Department is evaluating the complete organizational structure. Part of this evaluation will include the reporting structure for Centralized Work Control, including reporting directly to the Director of PPD. Completion date: June 30, 2009.*

### **Recommendation 2**

Management should continue to centralize all work control processes at PPD.

### **Response from the Director of Physical Plant Department**

*This process is currently under-way; please note however, it was always the goal of PPD to completely centralize work control operations when all processes had been properly established. Completion: September 30, 2009.*

### **Recommendation 3**

Management should establish a CWC task force with key stakeholders of affected areas represented on the committee. The committee should address issues affecting PPD departments, as they integrate with CWC.



### **Response from the Director of Physical Plant Department**

*The initial CWC implementation team will reconvene as a CWC task force that will include representatives from the major TMA users in PPD. This committee will meet at a minimum of once a month. Completion: May 1, 2009.*

### **Recommendation 4**

Management should work with the Human Resources Department to upgrade the work control manager position. This position requires a proactive individual who possesses strong management skills.

### **Response from the Director of Physical Plant Department**

*PPD will work with UNM Human Resources to determine the appropriate grade for the position of the Work Control manager. Currently, there is an interim manager. This position will be evaluated per current University hiring guidelines. Completion: Completion is dependent on the availability of Human Resources to complete this assessment. PPD's goal is August 31, 2009.*

### **Recommendation 5**

Management should enlist the assistance of the UNM Employee and Organizational Development or seek other professional assistance in developing an organizational culture that inspires caring, trust and talent.

### **Response from the Director of Physical Plant Department**

*PPD acknowledges that in a department as large and diverse as this one, there are inevitably conflicts within the organization, however we do not believe these isolated conflicts are indicative of the culture at PPD as a whole. PPD prides itself on its ongoing training initiatives and pro-active approach towards organizational behavior and leadership. PPD regularly participates in leadership and management training, such as customized Stephen Covey workshops, APPA's Leadership Academy and Institute of Facilities Management, UNM's Management Academy, the UNM Anderson School of Management certificate programs and UNM's Employee Organizational Development. PPD's investment in staff development has also resulted in 9 PPD staff members being awarded the Gerald May Award since 1992 for outstanding service to the UNM community and 4 staff members being awarded the Provost Outstanding Staff Award. PPD will continue to promote diversity in the workforce and will collaborate with EOD and other appropriate agencies to provide strong leadership, management and customer service skills to all PPD staff members. This is not a program with an end date and will be a continuous effort by PPD.*

### **Centralized Work Control Processes and Procedures**

The Centralized Work Control department processes are not clearly documented in easy-to-follow, standard procedures. There is opportunity for improvement in the following work control processes:

- The *Centralized Work Control Operating Manual* developed in-house is complex and is not fully used. Modeled after the work control department at the University of Nevada, Las Vegas, the manual is voluminous and does not reflect actual processes and procedures employed by CWC.
- The process for closing out work orders is undocumented and lacks clarity. Confusion over designation of work orders as “finished” or “closed” results in inaccurate status reports and delays in processing paperwork. Work orders that are complete and ready to close may appear incomplete, adding to a perceived backlog in open projects.
- The Areas vary in their operating procedures and there is no standard procedure for integrating their processes with CWC. Training of CWC and Area personnel is not fully integrated at this time. There are no documented procedures for interfacing with CWC, resulting in inconsistent processing of paperwork.
- PPD investigated use of handheld wireless devices that integrate field processes with the TMA system. Effective software implementation requires testing prior to introducing new technology in the field. Adequate consideration was not given to proper documentation needed for accounting and work control processes, and testing began prior to resolution of existing problems within the work control department.

### **Recommendation 6**

The CWC Manual should be revised, making operating procedures easier to understand and implement. The simplified manual should reflect actual procedures followed within the department.

### **Response from the Director of Physical Plant Department**

*The CWC task force will be charged with revising all Work Control operational procedures. Completion: January 31, 2010.*

### **Recommendation 7**

The CWC department should document proper procedures for closing work orders and should implement a feedback process to follow up on the status of work orders.

### **Response from the Director of Physical Plant Department**

*These procedures are almost complete. The CWC task force will work on the documentation for closing work orders, which will include a feedback process for work order status follow-up. Completion: June 30, 2009.*

### **Recommendation 8**

The CWC manager should work with all division managers to document policies for integrating PPD processes with CWC, and to provide combined training on processes for CWC and PPD personnel.

### **Response from the Director of Physical Plant Department**

*PPD has been working on the process and the appropriate follow-up training. The CWC task force will participate in this initiative. This is a large and comprehensive effort that will take time and involve the five large divisions in the PPD. Completion: June 30, 2010.*

### **Recommendation 9**

Management should delay implementing wireless handheld devices until all documentation and processing issues at CWC have been addressed. The department should adopt an implementation plan that addresses the interface of wireless devices with CWC.

### **Response from the Director of Physical Plant Department**

*Prior to implementation, all communication devices for PPD will be evaluated and a formal plan adopted. This initiative will follow completion of previous recommendations listed herein and therefore will be reviewed in the latter half of FY 2010. This program will have to be evaluated along with other current budget constraints.*

### **TMA Software**

TMA is not adequately secured and is not being used to its full potential. TMA uses multiple modules to manage work orders, preventive maintenance, and materials. The goal is to help maintain and prolong the useful life of the University's infrastructure. Due to the unique

requirements of each division, the various users of TMA have different uses and requirements, resulting in competing and conflicting expectations.

Numerous PPD employees outside of the CWC department have had the ability to create, delete or modify work orders, projects, status reports and other data entered into the system. The ability to delete, modify or create data in TMA should rest solely with CWC. The following represent current secured access issues that should be assessed:

- Maintenance manager has full edit access to TMA;
- Financial analyst has full administrative rights to TMA;
- Utilities Division users have full edit access TMA; and
- Custodial Department personnel (including an outside contract employee) have full administrative access to TMA.

TMA has operating and reporting functions that are not being fully used. The software can provide management reports on work order aging by building, open work orders by trade, work order charges detail, on-hand materials adjustment by part, and monthly preventive maintenance compliance reports. These reporting aspects of the system have not been fully implemented by PPD.

The TMA system at PPD appears to be driven primarily by BR&R accounting rather than management of maintenance projects. The set up of projects within TMA by BR&R fund index conflicts with the use of the project management module by the other divisions. Setting projects up by BR&R index may not be the proper use of the system, and limits the divisions in how work orders can be organized and managed.

### **Recommendation 10**

Management should consult outside expertise on the proper security and access structure of TMA. Security over TMA should be tightened by limiting administrative and editing access in the system to CWC personnel.

### **Response from the Director of Physical Plant Department**

*The interim CWC manager is consulting with TMA the week of March 30, 2009 regarding appropriate security. Appropriate adjustments will be addressed accordingly. Completion: no later than May 31, 2009.*

### **Recommendation 11**

PPD should consult with the TMA vendor or other experts to properly set up and use the project function in the software.

### **Response from the Director of Physical Plant Department**

*The interim CWC manager is meeting with TMA the week of March 30, 2009. This process will also involve key PPD personnel who routinely do project management. This is an important element of PPD and will require an evaluation of PPD project management. PPD will work with the TMA implementation team to develop and refine the project management function. Completion: June 30, 2009.*

## **ACCOUNTING SYSTEM AND ACCOUNTING PROCEDURES**

### **Accounting Systems Outside of Banner**

PPD projects are not clearly reflected in the Banner accounting system. Project costs are generally accounted for using a reimbursement method. Individual invoices are charged to an Area or department index, and funds are then transferred in to cover the costs. Project information for specific project costs, buildings, or trades personnel cannot be produced from either the Banner or Hyperion reporting modules. To compensate, economic data on projects by building, labor division, and material costs are entered on separate systems that track the individual invoices entered into Banner. In general, these separate records are not reconciled with Banner, and there is no formal process to review or verify data in these systems. We identified the following accounting systems outside of Banner in use at PPD:

- Remodel Department – the department uses Excel spreadsheets to account for contract costs, construction in progress, and project progress. This system is employed primarily due to limitations in Banner with respect to accounting for construction projects. Accounting details are accumulated and summarized in the TMA program, which then feeds the accounting data into Banner. Accounting detail on remodel projects cannot be obtained from Banner without considerable research and summarization of costs entered through TMA.
- Engineering Department – Engineering project costs are charged to multiple account indexes making it difficult to obtain cost data on projects from Banner. Project cost details are accounted for on Excel spreadsheets, summarized and entered into the TMA software, and then posted into Banner. The accounting process is not adequately documented, and the Excel spreadsheets are not reconciled to Banner.
- BR&R reporting system – BR&R funds are tracked in a separate database that is not formally reconciled to Banner. Expenses are summarized on a spreadsheet and journal vouchers are made transferring funds to departmental indexes to reimburse project costs. All project cost data is stored in the TMA system database, and information on what projects the funds were spent cannot be derived from Banner.

Accounting for BR&R funds lacks transparency, uses multiple systems to record and track transactions, and is not formally reconciled. This leads to greater risk of errors in recording and reporting BR&R activity. Banner is the UNM accounting system of record, and should reflect PPD activity by providing a clear audit trail and useful management information on projects.

### **Recommendation 12**

Management should use a rapid redesign committee to assess the current system, and to design an accounting system with a clear audit trail. The system should reflect underlying economic activity within Banner, and reduce reliance on accounting systems outside of Banner. PPD Finance should work with the Controller's Office, UNM Budget Office, and Institutional Support Services to design such a system. Management should work with the UNM Controller's Office to develop a more transparent system of accounting for BR&R activity in Banner.

### **Response from the Director of Physical Plant Department**

*PPD will assemble a rapid redesign committee consisting of key PPD personnel and the organizations listed above. Completion: September 30, 2009 (Due to budget year end closing and availability of staff in the above mentioned organizations).*

### **Recommendation 13**

Management should assess whether the BR&R reporting methodology is properly designed and is meeting the needs the users of the information.

### **Response from the Director of Physical Plant Department**

*PPD has recently redesigned the BR& R report and will conduct another review that will include key users of the report. Completion: June 30, 2009.*

### **BR&R Transfers**

Responsibility for managing and directing the activity in the BR&R fund indexes is not clearly defined. There also does not appear to be any direct oversight by PPD management over allocations and transfers of BR&R funds. PPD is responsible for completing projects funded by BR&R money. The UNM Budget Office controls the transfer and use of BR&R funds through direct communications to the PPD Financial Analyst. Although PPD management is notified of instructions to the financial analyst, it appears that PPD management is not in control over the funding of BR&R projects that they ostensibly manage.

Strong internal controls are necessary where funds are transferred among indexes. A monthly BR&R report is prepared for formal distribution to PPD and UNM Management, and interim

reports are prepared upon request by the Budget Office. There is no formal reconciliation or review of journal vouchers transferring BR&R funds or of the BR&R report prior to distribution.

#### **Recommendation 14**

PPD management should work with the UNM Budget Office to develop internal controls over the BR&R transfer process and formally establish responsibility for managing BR&R funds.

#### **Response from the Director of Physical Plant Department**

*PPD will collaborate with the UNM Budget Office to develop the appropriate internal controls over the BR & R transfer process. PPD recognizes that BR & R funds are also allocated to other departments of which PPD has no authority. Completion: June 30, 2009.*

#### **Reconciliation of Banner**

Parts and materials transactions posted in TMA are not reconciled to Banner on a monthly basis. The same transactions are maintained in both systems; however, timing differences arise in connection with payment, use, and inventory methods. Reconciliation of the two systems is necessary because TMA tracks costs on work orders which should be reflected in the Banner accounting system. A sound system of internal controls requires reconciliation of independent records of the same transactions. At present, reconciliation between Banner and TMA is only conducted once a year.

#### **Recommendation 15**

PPD Finance should implement procedures for the monthly reconciliation of entries in TMA with Banner accounting indexes. Documented procedures should include the nature of the differences and how to reconcile them.

#### **Response from the Director of Physical Plant Department**

*PPD is currently collaborating with UNM's department of Financial Systems Management (FSM) to develop these procedures. One area of the reconciliation plan that may be problematic is the Purchasing Card (P-Card) transactions. Completion: May 31, 2009.*

#### **Analysis of Billing Process**

PPD does not have documented procedures for internal service billing processes. PPD has many internal service operations partly funded by billing other departments. In some instances, internal billings for services have not been processed. While the effect of unprocessed billings on the University as a whole is neutral, PPD is providing services free of charge to departments

around campus. Identifying billable services and implementing billing processes will improve the financial status of the department.

#### **Recommendation 16**

PPD should develop written procedures for internal service billing processes.

#### **Response from the Director of Physical Plant Department**

*PPD's CWC task force will address this written procedure. Completion: June 30, 2009.*

#### **Recommendation 17**

PPD should identify all billable internal services, and implement the proper billing process for each service.

#### **Response from the Director of Physical Plant Department**

*PPD has identified internal services for billing and has the proper billing process in place but historically has not been provided the authority to proceed. Completion: Unknown.*

#### **Invoice Processing**

Three different methods of receiving and processing invoices have evolved within the department, depending upon whether they are received at the UNM Business Center, PPD Accounting, or by the department originating the work order. PPD Accounting does not have documented procedures for processing invoices. Inconsistent methods for receiving and routing invoices result in delays in payment, lost documents and difficulty in tracking invoices.

PPD does not submit certain invoices at year-end in an attempt to match the payment of the invoices with associated revenues. Invoices submitted to the UNM Business Center prior to year-end closing, but before revenue is posted, cause revenues and expenses of the same project to be recorded in different years. Such mismatching of revenue and expenses can skew results by showing projects over budget in the first year and under budget in the succeeding year. While the generally accepted accounting principle of matching revenues with expenses should be applied, withholding invoices for payment at year end is not an acceptable method of applying the principle.

#### **Recommendation 18**

PPD Accounting should work with the UNM Controller's Office to develop procedures for proper routing, approval, processing, and payment of invoices.



### **Response from the Director of Physical Plant Department**

*PPD has been collaborating with UNM's Accounts Payable department to develop these procedures. Completion: April 30, 2009.*

### **Recommendation 19**

PPD Accounting should consult with the UNM Controller's Office on acceptable methods of year-end cut-off procedures for proper matching of revenues and expenses.

### **Response from the Director of Physical Plant Department**

*PPD will collaborate with the UNM Controller's Office to develop acceptable methods for year end cut-off procedures. Completion: June 30, 2009.*

### **Accounting and Operating Reports**

During the audit, we reviewed the financial and operating reports used within PPD. Our inquiry consisted of interviews with users of financial and operating reports at all employment levels in most of the PPD divisions. We noted the following reporting issues:

- Productivity reports contained errors in production percentages and hours worked;
- BR&R reports contained errors and omissions;
- Monthly Athletics Department reports contained errors and omissions;
- CWC does not have a process to ensure Area managers are producing and reviewing internal reports and there is no feedback mechanism in place for CWC to monitor work progress; and
- Budget status reports were complex and of limited relevance to users.

Finance does not have processes in place to review and correct reports prior to distribution. The risk of errors and omissions can be reduced or avoided by establishing a review process prior to releasing reports.

### **Recommendation 20**

Management should assess the relevance and usefulness of current reporting to better support directors and managers. In addition, management should implement a process for quality control and review prior to publishing or releasing reports.

### **Response from the Director of Physical Plant Department**

*PPD recognizes this as an ongoing process and always strives for continuous improvement in these documents. Recommendations provided by this audit will be reviewed and incorporated in PPD reports as appropriate. Completion: Pending review of audit recommendations.*

### **AUDIT RECOMMENDATIONS ALREADY IMPLEMENTED**

During the course of the audit, we made recommendations that management implemented immediately. We applaud management's initiative and willingness toward improving the efficiency and effectiveness of their operations. Following are recommendations implemented during the audit.

- Management has been responsive to Area managers and supervisors, and has redesigned budget reports to more fully meet their needs.
- Management has taken steps to resolve conflict and improve communication between certain departments.
- Management has made improvements in managing CWC, increasing quality control, and integrating centralized work processes.

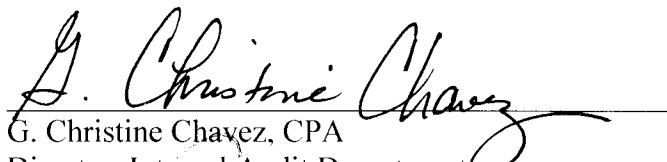
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## CONCLUSION

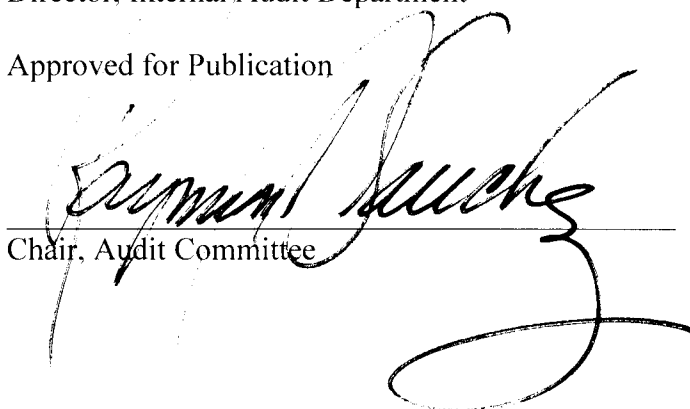
The Physical Plant Department should assess its organizational structure and adopt a strategy of reorganization that optimally aligns its divisions with the work control function. The department should undertake a comprehensive review of accounting and reporting systems with the goal of using the systems to their full potential. The Physical Plant Department should establish strong management structure over the Centralized Work Control process and endeavor to strengthen and improve work control processes.

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## APPROVALS

  
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Approved for Publication

  
Chair, Audit Committee