

# Memorandum



DATE: June 8, 2012

TO: Honorable Mayor and Members of the City Council

SUBJECT: Audit of Controls Over Leased Equipment <sup>1</sup>

The Department of Business Development and Procurement Services (BDPS) has not provided adequate contract administration for all aspects of the Xerox Managed Services Agreement (Agreement). The lack of contract monitoring has resulted in security implementation concerns and has also created challenges in BDPS' efforts to assess Xerox's performance as defined in the Agreement.

Security concerns, omitted from this report, have been communicated to BDPS and the Department of Communication

### Xerox Multifunction Devices

A Multifunction Device, or MFD, is a digital device used to electronically copy, scan, print, email, and fax documents. In 2006, the City of Dallas (City) replaced older, technology analog "copy machines" with the newer, digital MFDs. The City currently operates over 500 MFDs, including networked and non-networked devices under a \$13.66 million five-year contract with Xerox expiring in 2016.

In 2006, the City authorized a thirty-six month master agreement with Xerox for the rental and maintenance of copiers. In 2009 and 2011, the City continued its relationship with Xerox to provide copier rental and maintenance services.

**Source:** City Council Resolutions, Xerox Managed Services Agreement

<sup>1</sup> The audit was conducted under the authority of the City Charter, Chapter IX, Section 3, and in accordance with the Fiscal Year 2011 Audit Plan approved by the City Council. The audit objectives were to evaluate the adequacy of controls over leased equipment per the Agreement and to evaluate the existence and adequacy of security controls for Xerox MFDs installed and used by the City. The scope of the audit included policies, procedures, practices, the Agreement, and the Statement of Work Addendum to the Agreement, from June 2005 through October 7, 2011. This performance audit was conducted in accordance with generally accepted government auditing standards except for the independence requirement as discussed below. 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We reviewed and analyzed the Agreement, the Statement of Work Addendum, BDPS and CIS policies and procedures for MFDs, reviewed monthly Xerox Customer Communication reports, and interviewed BDPS, CIS, and Xerox management and staff regarding contract administration issues.

The Office of the City Auditor (Office) policies require auditors to disclose any circumstances that might result in a personal impairment to independence either in fact or appearance. An auditor assigned to the information technology portion of the audit did not disclose to the Office in a timely manner that he was pursuing an employment opportunity with the Department of Communication and Information Services while performing the audit. The auditor, however, asserts that he remained independent in fact. While nothing came to the Office's attention during the course of the audit that would cause the Office to believe the auditor was not independent, it may be perceived that the auditor's independence was impaired; therefore, a GAGAS exception was deemed appropriate.

and Information Services (CIS) in the *Confidential Security Implementation Limited Use Report – Audit of Controls Over Leased Equipment*. Our decision to exclude this information is based on:

- Government Auditing Standards, December 2011 Revision, Sections 7.39 – 7.43 Reporting Confidential or Sensitive Information; and,
- Texas Government Code Section 552.139. EXCEPTION: GOVERNMENT INFORMATION RELATED TO SECURITY OR INFRASTRUCTURE ISSUES FOR COMPUTERS

## AUDIT RESULTS

Analysis shows that Xerox has not met the reporting requirements specified in the contract and the accuracy of manually entered data by Xerox employees cannot be relied upon. The audit issues are reported as follows:

### Some Performance Metrics Are Ineffective and Do Not Meet Agreement Reporting Requirements

#### Performance Metrics Calculated in Hours

**DocuCare Service Response Time** – Response to end user issues will occur within one hour on 95 percent of the user reported issues

**Average Technical Service Response Time by Product Family** – Average time between the DocuCare of Client initiated service call and the arrival of the Service Technician at the site with a minimum achievement of 95 percent based on the product family of the equipment.

**Source:** Agreement

Two of the three performance metrics specified in the Agreement are reported incorrectly (see textbox to the left). The Agreement specifies that all metrics are to be reported in terms of a percentage, but two metrics are reported in hours. The effect of not reporting performance metrics properly is that BDPS is unable to determine whether Xerox is actually meeting the performance requirements. The two incorrectly reported metrics are DocuCare Service Response Time and Average Technical Service Response Time by Product Family. The third performance metric, Equipment Uptime, is correctly reported in percentage terms.

Xerox self-reports their performance in monthly Customer Communication Meetings (CCM) held with BDPS. These CCM reports contain information designed to help BDPS assess Xerox's contract performance over time by comparing reported performance to a benchmark standard of 95 percent; however, with two of the three metrics reported in hours, comparisons to the benchmark 95 percent standard, is not possible. For example, Average Technical Service Response Time by Product

Family was reported in the June 2011 CCM report as 6.29 hours, but there is not a readily evident correlation between the 6.29 hours and the required 95 percent Achievement of Target Response Time.

Since Xerox does not provide benchmarks based on hours, it is not possible to determine whether performance is acceptable or unacceptable, thereby rendering the time-based (hours) metrics ineffective in monitoring contract performance. A complete understanding of the terms and conditions of the Statement of Work Addendum would have alerted BDPS to the improper reporting of performance metrics.

## **Recommendation I**

We recommend the Director of BDPS require Xerox to report performance metrics in the format as stated in the Master Services Agreement Statement of Work Addendum.

Please see Attachment I for management's response to the recommendation.

## **Manually Recorded Performance Data Cannot Be Relied Upon**

Service call information received by Xerox technicians from City end-users and the Department of Communication and Information Services (CIS) Hotline cannot be relied upon in the calculation of monthly performance metrics because the call information is manually input into the Xerox ticketing system, Field Work Support System (FWSS), by Xerox field technicians. Manual data entry increases the likelihood of errors in the manual input process and, subsequently, the integrity of the data cannot be guaranteed. Two metrics that utilize manually entered data include DocuCare Service Response Time and Average Technical Service Response Time by Product Family.

Manual data entry may also provide an opportunity to report data (dates and service times) in a manner that can artificially improve Xerox's reported performance compared to the Agreement. As a result of these risks in the manual process, there is no assurance that the data entered by the technicians is accurate. Control Objectives for Information and Related Technologies (CobiT) 4.1, AC3, Application Control Objective # 3 states: "*Ensure that transactions are accurate, complete and valid.*" Manually entered data cannot be relied upon, thereby invalidating the use of the DocuCare Service Response Time and Average Technical Service Response Time by Product Family metrics as a performance measurement tool.

## **Recommendation II**

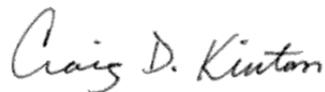
We recommend the Director of BDPS require Xerox to use an automated system for receiving, processing, and recording service calls.

Please see Attachment I for management's response to the recommendation

We appreciate the cooperation and assistance we received from BDPS, CIS, and staff during this audit.

If you have any questions or need additional information, please contact me at 214-670-3222 or Carol Smith, First Assistant City Auditor, at 214-670-4517.

Sincerely,



Craig D. Kinton  
City Auditor

Attachment

C: Mary K. Suhm, City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Jill A. Jordan, P.E., Assistant City Manager  
Michael Frosch, Director – BDPS  
William Finch, Interim Director – CIS

## Management's Response

Memorandum

RECEIVED

MAR 14 2012

City Auditor's Office



CITY OF DALLAS

**Date:** March 14, 2012

**To:** Craig D. Kinton, City Auditor

**Subject:** Management's Response to Draft Report – Audit of Controls over leased equipment

This memorandum is in response to the draft report – Audit of Controls over leased equipment.

Recommendation 1:

We recommend the Director of BDPS require Xerox to report performance metrics in the format as stated in the Master Services Agreement Statement of Work Addendum.

Management Response / Corrective Action Plan:

Agree  Disagree

Management agrees that metrics should be reported in percentages. Although the metric has been reported in hours and minutes rather than in percentages, the feedback has been meaningful in terms of showing the average response time by Xerox staff for routine and technical services.

Additionally, with the new Xerox contract the first responder to the end users is now the Xerox Helpdesk. The help desk is able to remotely and proactively resolve many common device issues. For the average technical response time Xerox will use the Statement of Work calculation, and XDM software to report in percentages. This will be presented during the monthly Customer Communications Monthly (CCM) meetings held with the City of Dallas.

**Implementation Date**

These recommendations are now in place which is being addressed through the XDM reports and the Xerox help desk.

**Responsible manager**

Manager of Business Development and Procurement Services

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Recommendation II:

We recommend the Director of BDPS require Xerox to use an automated system for receiving, processing, and recording service calls.

Management Response / Corrective Action Plan:

Agree  Disagree

Management agrees that an automated system for receiving, processing, and recording service calls should be used. As part of the new Xerox contract, the Xerox Helpdesk uses an XDM automated system tool for receiving, dispatching, tracking, processing, recording service calls, and closing commonly requested service for devices. This system completely eliminates manual data entry.

**Implementation Date**

This recommendation is now in place and has been addressed through the Xerox help desk, and automated system tool.

**Responsible manager**

Manager of Business Development and Procurement Services

Should you have any questions, please contact me at (214) 670-3874.



Michael Frosch, Director  
Business Development and Procurement Services

**Attachment**

- c: Mary K. Suhm, City Manager
- Jeanne Chipperfield, Chief Financial Officer
- Jill A. Jordan, Assistant City Manager
- William Finch, Interim Director, Department of Communication and Information Services
- Perfecta Gallegos, Manager, Business Development and Procurement Services