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Audit Report

**AUDIT OF
MAINTENANCE OF CITY-OWNED BUILDINGS**
(Report No. A10-007)

December 30, 2009

City Auditor

Craig D. Kinton

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Executive Summary

Equipment and Building Services (EBS) does not maintain a complete inventory of City-owned buildings (buildings) and is not consistent in identifying their building maintenance responsibilities. Although City procedures for collecting and processing building information have not been revised in fourteen years, the City achieved a major accomplishment by completing a facility condition assessment in Calendar Year 2008. The assessment provided valuable information on the condition of buildings, including interior finishes, fire protection, and security. The assessment also identified \$101 million of maintenance needs in Fiscal Years (FY) 2008-2013 and another \$73 million in maintenance needs for FY 2014-2027.

Several City departments maintain a building inventory list. However, each list serves a different purpose, has a different criterion, and dissimilar information on each list. Without current procedures or a centralized process to prepare a buildings inventory by department, the City does not have an efficient and effective method to account for all buildings. These problems have also resulted in building maintenance responsibilities being inconsistent and not clearly defined. For example, EBS does not provide maintenance services for all buildings since there are exceptions for buildings operated by City Enterprise fund departments, such as Aviation, and Government fund buildings, such as some in the Department of Park and Recreation and the Office of Cultural Affairs which are operated under third-party management agreements.

Background Summary

The City of Dallas owns a wide variety of commercial property with an acquisition cost of over \$2 billion. The diversity of the buildings is evident: airports, libraries, museums, theaters, fire stations, recreation centers, golf course pro shops, parking garages, a convention center, a radio station, water treatment plants, animal shelters, a zoo, and a sports/entertainment venue. Added to the complexity of managing the city's diverse property listing is the fact that buildings are being constantly constructed, remodeled, leased, vacated or demolished.

A comprehensive list of buildings should be compiled and linked to the Facility Condition Assessment data in order to ensure maintenance needs are identified, maintenance responsibilities are assigned, and maintenance efforts are tracked for every building.

Our audit objectives were to determine whether EBS has a current inventory of buildings and if EBS has a process to assess the building condition. The audit covered the period of October 1, 2007 through June 30, 2009. Buildings were defined as having an acquisition cost greater than \$50,000 and a useful life of 10 to 50 years.

Management's response to this report is included as Appendix IV.

Audit Results

Overall Conclusions

The 2008 Facility Condition Assessments were a major accomplishment yielding valuable information on the condition of City-owned buildings (buildings). However, Equipment and Building Services (EBS) should assume the lead role in compiling a complete inventory of buildings and matching the maintenance needs identified in the condition assessments with the department and/or management group responsible for the maintenance and repairs.

Facility Condition Assessments Were Completed in 2008

The City hired a facility and building assessment consulting firm in 2008, funded through the 2006 bond program, to conduct facility condition assessments of buildings and building components and develop long range improvement/replacement plans. A facility condition assessment is a structured profile of existing facilities conditions, typically maintained electronically, and populated with detailed facility condition inspection information. Facility condition assessments were completed for 672 buildings. The assessments identified and prioritized building repairs, maintenance, and capital projects for a 20-year period.

The consulting firm rendered opinions on structural integrity, building system condition, and property overall condition. Based on observations, interviews, and document reviews, the physical condition of the following building components were assessed: foundations, superstructure, roofing, exterior walls, heating, ventilation and air-conditioning (HVAC), plumbing, gas distribution, electrical, interior finishes, fire protection, and security.

The City Facility Condition Assessments identified \$101 million of maintenance needs in Fiscal Years (FY) 2008-2013 and another \$73 million in maintenance needs for FY 2014-2027. EBS intends to use this information to:

- Identify facility deferred maintenance and track progress in reducing the total value of deferred maintenance
- Plan for future bond requests
- Prioritize maintenance and repair needs for:
 - Building envelope and structure (outer shell)
 - Building mechanical systems
 - Interior and exterior renovations

With detailed maintenance needs identified by building, it is important that a master list of buildings be compiled and periodically updated to ensure all buildings have been evaluated and maintenance responsibility assigned for each building and building component.

The City Does Not Maintain a Current Listing of All City-Owned Buildings

Several City-owned building (building) inventory listings are compiled and maintained by separate City departments, such as EBS, the Office of Financial Services (OFS), Human Resources Risk Management, Development Services, and other City departments. However, each list serves a different purpose and has a different criterion, resulting in a different number of buildings and dissimilar information on each list (See Appendix II). For example:

- OFS maintains a City-wide compilation of recorded fixed asset acquisition costs identified by department and unit number. This list does not include the address for each entry and there are several entries such as “default” and “buildings” that do not describe the building.
- Development Services’ listing of City property, used for real estate development, has a lot number and a tax account number. However, a lot may be vacant or contain several buildings and there is no formal process to update or reconcile the list against other department’s records.
- Risk Management has a building list that is used for insurance purposes, but there is no formal process for updating the list or reconciling the list against other department’s records.
- EBS has an inventory listing of buildings. EBS worked with Risk Management to create a consolidated list which represents their best knowledge of the number of buildings. The staff updates the list as they identify changes that need to be made, but there is no formal update/reconciliation process.

City of Dallas Code, Section 2-21, *Inventory of Real Property*, requires the City Manager to maintain, as part of the City’s computerized fixed asset system, a descriptive roster of real property owned by the City.

Administrative Directive (AD) 6-4, *City of Dallas Encyclopedia of Structures* (CODES) was established for collecting and processing data needed to update the computerized listing of buildings. CODES was designed as an automated compilation of City structures to include data such as: building name, address,

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year built, square footage, and cost/lease amount per year. Per AD 6-4, the Director of Public Works and Transportation (PWT) is responsible for coordinating the automation of CODES data with EBS and Communications and Information Services (CIS).

PWT no longer maintains CODES and AD 6-4 is not being followed by the departments. Without a centralized process to compile an inventory of buildings and reconcile this list by department, the City has not complied with the City Code requirement. EBS has created its own master listing of buildings; however, this list is not complete or accurate. For example:

- Two buildings assigned by EBS to the Department of Street Services belong to other departments and one other building burned down a few years ago.
- The new Homeless Assistance Center, The Bridge, is not on the EBS building list.
- The EBS list has two entries for Aviation (Love Field and the Dallas Executive Airport), but the OFS list has 121 buildings and Risk Management lists 54 buildings.
- The EBS list does not include the Cotton Bowl Stadium, several Fair Park buildings, and the Zaragoza Recreation Center (leased from Dallas Independent School District) for the Department of Park and Recreation (PKR). The EBS list does include Environmental Health Services clinics that are also leased. The handling of leased properties on the EBS building list is not consistent.
- The EBS list has four buildings for Convention and Event Services (CES): Convention Center, Union Station, Reunion Arena, and the Harlin building. However, the list does not include the American Airlines Center and parking garage or any buildings in Farmers Market.

Furthermore, EBS maintenance responsibilities are not clearly defined and this may be a contributing factor that the EBS building list is not complete or accurate. EBS maintenance responsibilities for buildings are described as follows:

- *The EBS FY 2010 Budget Summary for City Facility Operation, Maintenance, and Repair* – This service provides operation, maintenance, and repair of building systems, HVAC, plumbing, electrical, structural, and roofing for about 13.7 million square feet of space located in about 800 City buildings.

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- *The EBS Website* – EBS maintains all City facilities except those owned and operated by Aviation, the Convention Center, Dallas Water Utilities (DWU), and some Fair Park Buildings.
- *The EBS Building Management Service Level Agreement for Customer Departments dated June 9, 2008* – The agreement excludes the City enterprise departments, including: Aviation, CES, Municipal Radio, and DWU, except as otherwise identified.

EBS does some maintenance for the Enterprise funds (Aviation and DWU) because EBS has expertise in certain areas such as HVAC and roofing. There are also Government fund buildings for which EBS does not provide maintenance (Dallas Zoo, Dallas Arboretum, and City golf course facilities) because these facilities are operated under third-party management agreements.

With reduced funding for EBS maintenance and repair in FY 2010, it would be beneficial for EBS, other City departments, and third-party management groups to clearly understand their maintenance responsibilities in order to budget effectively and avoid duplication or gaps in maintenance services for buildings.

Recommendation I

We recommend the Director of EBS work with the City Manager's Office to:

- Determine the department responsible for revising Administrative Directive (AD) 6-4
- Ensure AD 6-4 procedures for collecting and processing data needed to maintain a comprehensive listing of buildings are revised and implemented

Please see Appendix IV for management's response to the recommendation.

Recommendation II

We recommend the Director of EBS develop policies and procedures that define EBS maintenance responsibilities by building and/or building component to ensure a responsible party is designated for the maintenance of every building and/or building component.

Please see Appendix IV for management's response to the recommendation.

Background, Objectives, Scope and Methodology

Background

The City of Dallas has a vast and diverse portfolio of commercial real estate. The acquisition value of the City-owned buildings (buildings) listed in the 2008 City of Dallas annual financial report is \$2,078,628,000. For financial statement purposes, buildings have an acquisition cost greater than \$50,000 and a useful life of 10 to 50 years. The building cost is divided between two fund types; governmental activities (\$781,249,000) and business-type activities (\$1,297,379,000).

Governmental activities, primarily supported by taxes, include general government, public safety, streets, environment and health services, public works and transportation, equipment and building services, cultural and recreation services, and housing and human services. Business-type activities, intended to recover all or a significant portion of their costs through user fees and charges, include water utilities, convention center, airport, municipal radio and building inspections. The departments with the largest holdings of commercial buildings are Park and Recreation (PKR), Dallas Water Utilities (DWU), Dallas Fire-Rescue (DFR), Dallas Police Department (DPD) and Environmental and Health Services (EHS).

In addition to buildings operated by the City's government and business-type departments, there are buildings operated by third-parties through management agreements. These include the Dallas Zoo, Arlington Hall, Dallas Arboretum, Trinity River Audubon Center, Union Station, Majestic Theater, and the American Airlines Center.

Overall, the City owns airports, fire stations, police stations, museums, theaters, recreation centers, libraries, animal shelters, a convention center, exhibit halls, parking garages, health clinics, a municipal center, cultural centers, a music hall, a radio station, golf pro shops, maintenance and storage facilities, repair shops, a zoo, an aquarium, office buildings, pumping stations, and a football stadium.

Equipment and Building Services (EBS) provides operation, maintenance, and repair of building systems, HVAC, plumbing, electrical, structural, and roofing for buildings. However, there are exceptions to the services provided by EBS for the City business-type departments and buildings with third-party operating leases.

Other City departments which have a role in the administration of buildings are Public Works and Transportation (PWT), which is responsible for the management of the design and construction of new facilities and Development Services which sells City surplus buildings and manages City leases.

Objectives, Scope and Methodology

This audit was conducted under authority of the City Charter, Chapter IX, Section 3 and in accordance with the Fiscal Year 2009 Audit Plan approved by the City Council. This performance audit was conducted 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.

Our audit objectives were to determine whether EBS has a current inventory of City-owned buildings (buildings) and if EBS has a process to assess the condition of these buildings. The audit covered the period of October 1, 2007 through June 30, 2009.

To achieve the audit objectives, we interviewed City staff, managers, Directors and Assistant Directors from the departments of EBS, Risk Management, Convention and Event Services, Street Services, Park and Recreation, and Aviation. We also received information from Public Works and Transportation and Development Services.

To gain an understanding of facilities management, we researched best practices, industry standards, and related audit reports from several sources, including the International Facility Management Association, the International City/County Management Association, National Academy of Sciences, Government Accountability Office, and PriceWaterhouseCoopers.

To determine the accuracy of the EBS Building list, we cross-referenced building inventory lists from EBS, Human Resources Risk Management, Office of Financial Services, and the Dallas Central Appraisal District. We also compared the EBS list to building inventory lists received from City departments: Street Services, Park and Recreation, Convention and Event Services, and Aviation.

For City department facility management criteria, we evaluated City ordinances, City Administrative Directives, the City's Comprehensive Annual Financial Report, and individual department budget justifications.

To evaluate the facility condition assessment process, we reviewed the city needs assessment, the 2006 bond program, the consultant contract, and the consultant assessment reports.

Appendix II

**City-Owned Building List Comparison
Number of Buildings**

Department	EBS List	RM List	OFS List
City Attorney	0	1	0
Aviation	2	54	121
Office of Financial Services	0	0	6
Code Compliance	3	5	3
Convention and Event Services	4	8	48
Court and Detention Services	1	2	0
Communication and Information Systems	19	2	12
Development Services	0	7	1
Equipment and Building Services	34	41	22
Economic Development	0	0	1
Environmental and Health Services	42	38	9
Fire Rescue	75	67	59
Housing	1	1	0
Library	28	26	28
Office of Cultural Affairs	14	46	15
Public Works and Transportation	5	7	20
Business Development and Procurement	0	0	1
Park and Recreation	294	157	142
Police	46	41	16
Sanitation	20	16	6
Sanitation/Street Services	0	9	0
Street Services	41	19	3
Water Utilities	181	195	318
Planning	2	0	0
Multiple	28	0	0
No Department Specified	0	43	0
Totals	840	785	831

Appendix III

Major Contributors to This Report

Gary Lewis, CPA, CIA, CFE, Assistant City Auditor
Chris Kime, CIA, Project Manager
Eva Chen, Auditor
Theresa Hampden, CPA, Quality Control Manager

Management's Response

Memorandum

RECEIVED

DEC 18 2009

City Auditor's Office



CITY OF DALLAS

DATE: December 18, 2009

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report: Audit of Maintenance of City-Owned Buildings

Our responses to the audit report recommendations are as follows:

Recommendation 1:

We recommend the Director of EBS work with the City Manager's Office to:

- Determine the department responsible for revising Administrative Directive (AD) 6-4
- Ensure AD 6-4 procedures for collecting and processing data needed to maintain a comprehensive listing of buildings are revised and implemented

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Management agrees that there should be a comprehensive listing of City facilities but more time is needed to determine which department should be assigned the responsibility. The department assigned will have the responsibility to maintain a comprehensive database and keep information updated at all times. EBS is currently undergoing a complete reorganization and is still in discussion with the City Manager's office on this audit recommendation. It is anticipated that a decision will be made within the next 60 days on the responsibility for updating AD 6-4 and maintaining a comprehensive building list.

Implementation Date:

Responsibility for AD 6-4 revision and maintenance of comprehensive building list to be determined by 3/1/2010

Responsible Manager:

Zaida Basora, Assistant Director EBS

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Recommendation 2:

We recommend the Director of EBS develop policies and procedures that define EBS maintenance responsibilities by building and/or building component to ensure a responsible party is designated for the maintenance of every building and/or building component.

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Management agrees that building responsibilities should be better defined by department and building type.

Implementation Date:

EBS will complete this task by 9/30/2010

Responsible Manager

Zaida Basora, Assistant Director. EBS

If you have any questions regarding this response, please feel free to contact me for additional information.


Carolyn McKnight-Bray, Director
Equipment and Building Services

c: Forest Turner, Assistant City Manager
Zaida Basora, Assistant Director – Building Management
Beverly Davis, Assistant Director
Erin Langston, Assistant Director - Support

"Dallas: The City That Works: Diverse, Vibrant, and Progressive."