



**City of Manchester
Office of the Independent City Auditor**

One City Hall Plaza, West Wing
Manchester, New Hampshire 03101
Phone: (603) 624-6523
Fax: (603) 624-6528

January 30, 2015

Committee on Accounts, Enrollment and Revenue Administration
C/o City Clerk
One City Hall Plaza
Manchester, NH 03101

Dear Honorable Committee Members,

Attached is the compliance audit report of the ARAMARK custodial services contract for the Fiscal year ended June 30, 2014. This audit was a scheduled audit based on my risk based 5 year audit plan.

The next audits in the plan are:

Health Department – Revenues and Expenditures
Planning and Community Development – Revenues and Expenditures
Highway Department – Solid Waste Collection

In addition to this audit my office has been involved with:

- Managing the City's annual financial statement audit
- Preparing the RFP and managing the selection process for the next five year contract for City auditing services. The selection process will be completed in February with a recommendation for a new audit contract presented to the Board in March.

Respectfully Submitted,

Kevin M. Buckley
Independent City Auditor

AUDIT REPORT
CITY OF MANCHESTER
NEW HAMPSHIRE



ARAMARK Custodial Services Contract
Fiscal Year 2014

Prepared by
City of Manchester, NH
Office of the Independent City Auditor

**INDEPENDENT AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
ARAMARK CUSTODIAL SERVICES CONTRACT
FISCAL YEAR ENDED JUNE 30, 2014
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City of Manchester
Office of the Independent City Auditor

One City Hall Plaza
Manchester, New Hampshire 03101
Phone: (603) 624-6460
Fax: (603) 624-6549

November 25, 2014

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: O'Neil, Barry, Corriveau, and Levasseur

Dear Honorable Committee Members:

Per my five year audit program I conducted an audit of the ARAMARK Custodial Services Management Services Agreement Dated March 4, 2011 and amended April 29, 2014.

I have completed my audit ARAMARK Custodial Services Management Services Agreement for the Fiscal Year ended June 30, 2014. My audit was conducted for the purpose of determining if selected compliance points were done in accordance with the contract requirements and that the Facilities Division of the Public Works Department had in place management controls to ensure that the performance measures required by the contract were being met as required by the contract.

I conducted this contract compliance audit in order to determine if the Department of Public Works Facilities Division and ARAMARK has complied with selected contract requirements.. A contract compliance audit requires that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on my audit objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the audit objectives.

Scope and Audit Objectives

- This engagement was to be a contract compliance audit of selected requirements of the Management Services Agreement between the City of Manchester and ARAMARK Management Services dated March 4, 2011 and current amendments during the fiscal year ended June 30, 2014.
- In addition, the management controls over compliance with performance objectives as noted in the Management Services agreement was also tested and evaluated.

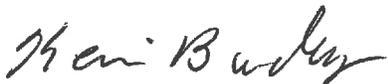
Procedures

- Interviewed of City and ARAMARK officials.
- Reviewed March 4, 2011 Management Services Agreement (MSA) and related amendments, attachments and Exhibits.
- Determined management controls over contract administration and evaluated for adequacy. Selected controls for testing.
- Reviewed minutes of related boards and commissions
- Reviewed Financial and performance data from the City's HTE financial reporting system and the Maximo timekeeping and work order system
- Reviewed other jurisdictions audit reports and studies.
- Conducted an internet search of ARAMARK Company for any issues encountered by other jurisdictions.
- Determined audit risk
- Selected relevant Management Services Agreement points for testing compliance.
- Determined that a Joint Committee was established and was meeting quarterly
- Obtained employee rosters to determine if employees met requirements of MSA
- Obtained and scheduled all financial payments from HTE system and determined if they were being paid according to the MSA
- Obtained list of performance guarantees used to determine payment of performance bonus
- Obtained Bi-Annual Satisfaction surveys and determined if City and School employees had a high degree of satisfaction with cleaning services
- Obtained quarterly inspection reports to determine if they were testing the required APPA standards and that the inspections revealed a high degree of compliance.
- Obtained completed work order reports from the Maximo system to determine if preventative and repair maintenance work was done in a timely manner.
- Recalculated the performance bonus guarantee and payment to determine if it was in accordance with the MSA

Findings and Conclusion

The audit had no written observations and it was determined that the contract for cleaning services was done in accordance with the MSA, there was a high degree of compliance with APPA standards and high satisfaction from stake holders and it appears that the City is administering the contract effectively.

Respectfully Submitted,



Kevin Buckley, CPA
Internal Audit Manager

AUDIT BACKGROUND

Department of Public Works, Facilities Division

The Facilities division is under the direction of the Chief Facilities Manager and is responsible for providing maintenance, environmental compliance and capital improvements for 86 facilities consisting of 28 school buildings, 19 school portable classrooms, 3 athletic field houses, and 36 municipal buildings. The division is comprised of 20 positions. The Facilities Division strives to provide proactive building maintenance and construction services for the City to fulfill its public mission to its residents.

The division is organized into three main groups, construction, maintenance, and custodial. The custodial group is responsible for custodial services, grounds maintenance, and pest control mainly through a contractual arraignment with ARAMARK Management Services. The division's Custodial Maintenance Supervisor is responsible for assuring that the contractor is complying with all contract provisions on a daily basis.

ARAMARK Management Services Limited Partnership

ARAMARK is a large multi-national service orientated company providing innovative services in food, facilities management and uniforms to business and industry, colleges and universities, healthcare, sports and entertainment, school districts, parks and resorts, correctional institutes, conference centers, convention centers, and senior living. ARAMARK provides these services in 22 countries around the world.

Per their website ARAMARK's business purpose is to deliver experiences that enrich and nourish lives. Their vision is to focus on growth for their consumers and clients with a combination of innovation and services to accelerate growth.

ARAMARK realized adjusted operating income of \$878 million on sales of \$14.8 billion in fiscal year 2014.

ARAMARK's Manchester facility dedicated to the service of the City contract is located at 275 Clay Street and employed 101 full-time equivalents in June of 2014.

Custodial Services History in Manchester

Prior to fiscal year 1995 the City of Manchester provided all custodial services in-house. During FY 1994 the Board of Mayor and Alderman voted to privatize the custodial workforce. In 1994 the City contracted with ServiceMaster of Manchester, a locally owned franchise to supply custodial services to 8 of the school buildings and 3 City buildings and WFF&A was selected to service 13 schools and one City building as a result of an invitation to bid. The initial contracts ran from August 1994 through June 30, 1995. After the initial contract term there were additional invitations to bid issued with multiple companies contracted (ServiceMaster of Manchester, Wilson 5 and WFF&A). ServiceMaster of Manchester went out of business and eventually WFFA became the sole custodial contractor until 1999. During 1999 a RFQ and a RFP was issued and resulted in a

contract with the national corporation of ServiceMaster Management Services L.P., who was eventually purchased by ARAMARK.

At the time the custodial services were privatized 76 permanent custodial employees and 4 temporary custodian positions were eliminated from the City payroll. The breakdown of City employees positions eliminated are as follows:

- 4 Temporary Custodian I
- 7 Building and Grounds Custodian III
- 1 Storekeeper
- 1 Payroll Clerk
- 44 Building and Grounds Custodian II
- 23 Building and Grounds Custodian I

Gradually new buildings were added to the contract and currently custodial services are provided to 23 schools and 9 City buildings. In addition to custodial services the contract calls for Preventative maintenance services and grounds management services for the City.

At the end of FY 2014 the Police Department ended their in-house custodial service eliminating two City positions in favor of having ARAMARK provide custodial services. This move is estimated to save the department \$69,269 in the current fiscal year.

ARAMARK performs its duties using 101.35 full-time equivalent positions. The City's Facilities division consists of 20 employees to handle management functions, corrective maintenance duties and construction projects.

Management Services Agreement (MSA)

The current MSA was entered into on March 4, 2011 and covered the three years From July 1, 2011 through June 30, 2014 with renewal options of up to 4 additional terms of three years each. The original MSA has been amended since the initial MSA to change some terms and to add/subtract buildings and services. The MSA covers custodial, preventive maintenance and grounds maintenance services for the City of Manchester and covers all schools and most City buildings. The agreement including grounds maintenance covers 26 school buildings and 25 City facilities and covers 2,648,750 square feet of buildings and grounds. The contract per the April 29, 2014 amendment calls for payments of:

- FY 2012 \$4,071,331.00
- FY 2013 \$4,205,139.30
- FY 2014 \$4,297,025.96
- FY 2015 \$4,267,025.96
- FY 2016 \$4,267,025.96
- FY 2017 \$4,309,696.22

Total Payments \$25,417,244.40

The contract with ARAMARK covers the following programs:

Custodial Management Services Program

Provides custodial services to all school buildings and most City buildings under performance specifications in accordance with the Association of Physical Plant Administrators (APPA) service level 3 for most general areas APPA service level 2 for several listed areas such as classrooms, kitchens, restrooms, cafeterias etc.

Preventative Maintenance Management Services Program

Develop and implement a preventative maintenance program for every electrical and mechanical system in every building under the contract. Develop a maintenance schedule for each piece of equipment based on the manufacturer's specifications in the Maximo Maintenance Management System. Maximo will then schedule and track the requirements through work orders which will be completed by ARAMARK staff. Maximo will then be able to produce management reports for City staff to evaluate the program.

Grounds Management Services Program

Perform specified grounds management services to comply with APPA service level 2. This includes, but is not limited to:

- Trim small trees and shrubs
- Lawn Maintenance (edging, mowing, weed control, fertilizing)
- Window well and exterior drain grate debris and sand removal
- Snow removal
- Spring and fall leaf clean-up

As part of its compensation if ARAMARK meets certain performance objectives they will receive a performance guarantee of up to \$100,000. The performance measure target ranges are to be mutually agreed upon by both parties.

TESTING RESULTS

Joint Review Committee

According to the Management Services Agreement dated 3/14/2011 section 3.c. a joint review committee is to meet at least quarterly. The Joint Review Committee is to meet on a regular basis, at least quarterly, to review and discuss on-going operational matters.

According to management at the Department of Public Works, Facilities Division the purpose of this committee was for the Manchester School Department (MSD) to have an active role to establish quality and service standards. We have brought this up to MSD administration and there is a lack of interest in this committee. As a result we have not pursued this effort. Basically this signals that the contract meets or exceeds expectations. If something changes in the future this requirement remains in the contract should it need enforcement.

There are also other layers in the contract to gauge satisfaction for quality and service standards. To date, in the current contract, all standards have been exceeded.

ARAMARK did conduct a joint meeting on 10/23/2014 and one on 11/19/2013.

It appears reasonable that joint meetings for developing standards were not conducted as it was determined that they were un-necessary. However quarterly meetings to discuss operational matters would still be beneficial to both parties and should be conducted.

Employee Rosters

According to the Management Services Agreement section 4.(b) ARAMARK shall provide on a monthly basis an employee roster for the prior month listing each employee, # of hours worked, Total wages, and benefits paid.

Employee rosters and pay data was obtained from ARAMARK and it appears that they are in full compliance with this requirement.

Invoices for Payment

According to the Management Services Agreement section 5. (b) ARAMARK shall submit to the City an invoice for the ARAMARK fee owed for that month. Amendment to the Management Services Agreement (MSA) section 3. The ARAMARK fee for FY 2014 shall be \$4,297,025.96

All invoices for custodial services were obtained from the City's HTE financial reporting system and traced to an approved invoice. Amounts were recalculated and it was determined that ARAMARK has been paid according to the contract requirements.

Performance Guarantees

According to the Management Services Agreement performance guarantees and baseline target scores will be established on or before July 1, 2011.

Per meetings with ARAMARK and City of Manchester Facilities Division management the baseline target scores needed to be maintained in order to obtain the performance guarantee noted in the contract were not set by a meeting of a joint committee. It was decided that as long as ARAMARK maintained the APPA Standards as noted in the contract to a high degree of satisfaction no committee would be necessary and yearly baseline targets would not need to be established. To date no major problems have been noted with ARAMARK's work and satisfaction has been very high as determined by surveys and audits so no baseline targets have been set.

The approach set by management while not strictly in compliance with the contract seems reasonable and working as both parties have intended.

Bi-Annual Surveys, Third Party Inspections and Completed Work Orders

Appendix to the Management Services Agreement section 5 attainment of performance will be both qualitative and quantitative as measured by bi-annual satisfaction surveys, third-party inspections and percentage of completed work-orders.

I obtained the Surveys for the year and determined that all buildings were surveyed and the surveys showed uniformly positive scores in the upper 80% to upper 90% satisfaction with very few exceptions. Low scores were all improved in the next survey.

No third party inspections were done as they are required only when in-house surveys are not done or if requested. This still remains an option in the contract should it be needed in the future.

From reports obtained from the work order system I analyzed the time to complete work orders. Four types of work orders are issued and tracked in the system:

- | | |
|----------------------------|--------------|
| • Corrective Maintenance | 4,904 |
| • Emergency Maintenance | 4 |
| • Life Safety | 242 |
| • Preventative Maintenance | <u>4,051</u> |
| • Total Work Orders | 9,201 |

During the year 95% of Corrective Maintenance (Done by the City), 87% of Preventative Maintenance, 100% of Emergency Maintenance and 70% of Life Safety work orders issued during the year were completed during the same year. The remaining work orders outstanding at the year-end were completed by the end of the following month.

The time to complete the work orders does not seem unreasonably long and it appears that the Facilities Division is appropriately monitoring work order activities.

Quarterly Inspections

Amendment to the Management Services Agreement (MSA) section 5. Quality assessments based on performance will be tracked and measured through the quarterly inspection process managed by the City and judged by APPA standards.

Obtain all quarterly reports conducted during FY 2014 and ensure that every building under the MSA has been done at least quarterly and that the inspections address the APPA standards as noted in the MSA. Checked to see if the quality scores agreed upon by the Facilities Division, ARAMARK's representative and building representatives as evidenced by sign offs on the audit reports.

Based on the test work performed it appears that inspections are being done at least quarterly and in most cases monthly and that the audit report checklist appears to incorporate the APPA standards in the evaluation criteria. All buildings seem to be rated with quality scores of 90% or better. Evaluations are being done by a combination of City personnel, ARAMARK employees and building officials whose scores are mostly in agreement.

Performance Guarantee Payment

Amendment to the Management Services Agreement (MSA) section 5. The performance guarantee will be up to \$100,000 annually and shall be weighted equally across performance categories. The performance guarantee will be reconciled each April for payment to ARAMARK.

Per management at the Facilities Division there is no formal reconciliation done. Every April a meeting is assembled of all the parties responsible for monitoring the to discuss any problems encountered with ARAMARK's performance over the year. They then determine if any of the guarantees should be withheld due to performance issues. To date they have not had any major issues that would rise to the level of withholding payment. Any issues encountered have been remedied quickly by ARAMARK. They do not feel at this time that a formal written reconciliation is required but in the future if issues start to arise they reserve the right to convene the joint committee, to set hard performance targets and develop a written annual evaluation.

The approach appears consistent with how the contract has been administered. From the test work performed and reports generated by both ARAMARK and City staff it appears that ARAMARK is performing at a high level consistent with the contract provisions and stakeholder satisfaction appears high.

CONCLUSION:

It appears that the Facilities Division and ARAMARK are in compliance with the points tested and that the Facilities Division is adequately ensuring that ARAMARK is providing custodial services according the contract requirements.

APPENDIX A

MANAGEMENT RESPONSE

Kevin A. Sheppard, P.E.
Public Works Director

Timothy J. Clougherty
Deputy Public Works Director

Kevin J. O'Maley
Chief Facilities Manager



Commission
Raymond Hebert
Hal Sullivan
Rick Rothwell
Bill Skouteris

CITY OF MANCHESTER
Department of Public Works
Facilities Division

January 21, 2015

From: Kevin O'Maley

To: Kevin Buckley

Subject: Aramark Services Audit

Thank you for the opportunity to comment on your findings contained in the audit of the Aramark Services Contract.

The City enjoys a very good, mutually beneficial relationship with Aramark. It is great to hear validation that management and administration of the contract meets or exceeds current standards.

We are available should the Board have any questions.

