

# **Custodial Contract**

## **PPS Cost Savings and Strategies for Better Monitoring**

**June 2004**



**Suzanne Flynn**  
Multnomah County Auditor



**Gary Blackmer**  
City of Portland Auditor



**Suzanne Flynn, Auditor  
Multnomah County**

503-988-3320  
suzanne.j.flynn@co.multnomah.or.us  
501 SE Hawthorne, Room 601  
Portland, OR 97214



**Gary Blackmer, Auditor  
City of Portland**

503-823-4078  
gblackmer@ci.portland.or.us  
1221 SW Fourth Ave., Room 140  
Portland, OR 97204

## MEMORANDUM

To: Portland Public Schools Board of Education  
From: Gary Blackmer, Portland City Auditor  
Suzanne Flynn, Multnomah County Auditor  
Date: June 11, 2004  
Subject: Portland Public Schools Custodial Services Audit

The attached report covers our audit of Portland Public Schools (PPS) Custodial Services. This audit was requested by the PPS Board of Education in 2003.

The PPS District decided to contract out for custodial services beginning in FY02-03. The purpose of the contract was to reduce custodial services spending in response to serious budget shortfall. The District was also concerned about maintaining the quality of the services. The purpose of this audit was to determine if cost savings calculations were sound and if the District had a system to determine that service quality standards were being met.

Our audit determined that the cost savings were substantially realized and had been fairly close to what was estimated. However, we did find areas that need improvement in the District's contract monitoring system. The District needs to improve the communication of performance problems to the contract monitoring staff. We also point out areas that could be renegotiated in future contracts.

We have discussed our findings and recommendations with management in the Department of Facilities and Asset Management. Their response to this audit is included at the back of this report. We will contact management in six months to get an update on the status of our recommendations. In addition, we will conduct follow-up audit work.

We would like to acknowledge and thank the management and staff in the Department of Facilities and Asset Management for the cooperation and assistance they extended to us.

Audit Team:  
Rie Anderson, Management Auditor  
Kathryn Nichols, Senior Management Auditor

# Table of Contents

Summary -----	1
Background-----	3
Scope and Methodology -----	4
Audit Results -----	6
Costs saving methodology is sound -----	6
Contract and monitoring should be strengthened	
to ensure safe, clean schools -----	7
District’s contract monitoring staff -----	11
District review of monitoring reports -----	11
Re-examining contract boundaries -----	14
Recommendations -----	16
Responses to the Audit -----	17
Pam Brown, Director, Facilities and Asset Management -----	18

## Summary

Facing a revenue shortfall of approximately \$36 million for FY02-03, the Portland Public School District (the District) decided to outsource custodial services as a cost saving measure. During the years preceding the decision, the District had reduced custodial services spending and staffing. It determined that the wages for custodial staff were higher than in surrounding districts and estimated that it could save over \$5 million dollars if the service was outsourced.

Under Oregon law, all state and local government and school districts are required to purchase services from a state-registered Qualified Rehabilitation Facility (QRF), if one is available to provide the services. In April 2002 the District requested contract proposals from QRFs and in July 2002 awarded an annual custodial contract to Portland Habilitation Center Inc. (PHC).

In 2003 the Portland Public Schools Board of Education renewed the contract for another year and requested that the City of Portland and Multnomah County auditors conduct a performance audit. We agreed to conduct a performance audit which would include an analysis of the estimated cost savings and an assessment of the contract monitoring system.

We concluded that the District's cost savings estimates were reasonable and substantially realized. In the first year of the contract, District management estimated savings of \$3.7 million compared to our estimate of \$3.8 million. In the second year, management estimated \$7.1 million in savings and we estimated \$6.9 million. The increase in savings in the second year is the result of one-time costs in the first year as the District transitioned to the contracted service.

The contract process has provided the District with the opportunity to clarify and systemize its custodial service expectations across all buildings. Over the last two years, the District has worked collaboratively with PHC to implement and improve several systems for monitoring the custodial contract. We found these systems to be adequate but the collected information could be better integrated and automated so that quality and safety can be more effectively addressed.

PHC custodians submit a number of regular monitoring reports; however, District clerks only review these for timeliness, not for content. Inspections are conducted independently by PHC supervisors and Quality Assurance staff, by the District's custodial supervisors, and by Facilities and Asset Management (FAM) staff, but the results of these are qualitative and not easily tracked or integrated. As a result, managers have very little systematic and automated data on the custodial work

done at schools. We encourage the District to work with PHC to implement its “Cleaning Rating Form,” which could provide a more quantitative framework for assessing building cleanliness.

Principals are surveyed semi-annually and have generally expressed increasing satisfaction with custodial services over the last two years. However, some custodial problems persist, such as competency with building systems, and concerns about performance in high schools.

Regular and thorough background checks on contract custodians serve as a critical control element for the security of students, staff, and facilities. The District has improved procedures for initial background checks of PHC custodians over the two years of the contract. Our review of PHC payroll records for March 2004 found that all PHC staff working in the schools had passed an initial background check. While PHC conducts on-line record checks annually, the District could reduce future risk by implementing procedures for ongoing fingerprint-based record checks.

District management can request that PHC remove any employee with performance problems. We found that PHC removed from the contract at least 32 custodial staff to date based on District concerns about performance. Similarly, most of the principals we interviewed reported that PHC has been responsive to their concerns about custodial performance.

During our audit, we became aware of cases in which two PHC custodians working in Portland Public Schools posed potential security risks because of incidents that occurred after initial screening procedures. Prompt review and resolution of these types of problems in the future requires that principals communicate their concerns promptly to Custodial Managers.

The upcoming contract renewal provides the District with an opportunity to reexamine the terms of the custodial contract with PHC. We identified several areas where cost savings and quality of service might be increased. For example, District management should consider renegotiating the contract to resume “boiler punching” which could ensure stronger controls over this complex responsibility. The District should also allow PHC to bid on its custodial supplies contract, which could produce additional savings. Further review of contract provisions for service efforts in high schools is necessary because they provide significantly more custodial challenges than elementary and middle schools.

Recommendations and a response from District management are included at the end of the audit.

## Background

During the Spring of the FY01-02 school year, the Portland Public School District (the District) decided to outsource custodial services with the goals of reducing costs and maintaining safe and clean facilities for students and staff. Facing a revenue shortfall of approximately \$36 million for FY02-03, the District examined all departmental budgets to identify reductions that would preserve classroom resources for its primary educational mission.

During the eight years preceding the decision to pursue contracted services, the District had reduced custodial spending by \$6 million and reduced custodial staff from 445 FTE (Full-time Equivalent) to 311 FTE. As a result, most buildings were no longer cleaned on a daily basis. The District determined that the wages of its custodians were higher than in surrounding districts, other public agencies, and the private sector. It estimated that it could save over \$5 million by outsourcing custodial services.

In April 2002, the District requested contract proposals from state-registered Qualified Rehabilitation Facilities (QRFs). Under Oregon law, all state and local governments and school districts are required to purchase services from a QRF, if an organization providing such services is available. QRFs are non-profit organizations that work to train and employ those with disabilities.

In July 2002, the District awarded an annual custodial contract to Portland Habilitation Center Inc. (PHC). The District's performance contract with PHC purchases custodial services based on a cost-per-square-foot formula and establishes detailed service expectations in a 17-page appendix entitled, "Scope of Services." The list includes custodial tasks and prescribes the frequency with which each task is to be completed. The same service standards apply to all District buildings. Beyond service task frequencies, the District's contract with PHC does not include a service quality standard.

The "Scope of Services" list also includes a column identifying how frequently each task was completed by in-house custodians prior to outsourcing. Overall, the PHC contract defines a service standard for custodial work that is at least as high as it was under the in-house service model. Certain tasks are to be completed more frequently by PHC than they were previously. In addition to basic daily cleaning tasks, PHC custodians are also responsible for opening and closing buildings, insuring that boilers are operating during the winter season, monitoring and ordering oil, assisting with after-hours functions, cleaning up spills, and security lock down. Under the current PHC

## Scope and Methodology

contract, the District continues to own and maintain all custodial equipment and contracts with another vendor for purchase of all custodial supplies. PHC custodians are represented by the Service Employees International Union (SEIU) Local 49.

After a progress report to the Portland Public Schools Board of Education on June 13, 2003, the District renewed the custodial contract with PHC for a second year. At that time the Board passed a resolution requesting that the City of Portland and Multnomah County auditors conduct a performance audit of custodial services.

Because the current school year is the first year of fully implemented custodial services under the PHC contract and because performance data on the custodial work previously done by in-house staff are not available, the objectives of the audit were limited to:

- Determining whether the District's methodology for calculating the net savings resulting from outsourcing custodial services was sound, and
- Determining whether the District's contract monitoring system is adequate.

In order to assess cost savings, we recalculated savings associated with custodial outsourcing using currently available information and compared these calculations to the District's cost saving figures presented to the Board on June 13, 2003. We also evaluated the reasonableness of underlying assumptions. We reviewed "Budget to Actual Expenditure" reports for FY00-01 through FY03-04, annual budgets for FY02-03 and FY03-04, Workers' Compensation Claims reports, unemployment benefit payments for FY02-03 and FY03-04, and other relevant documents. We also researched literature on cost saving calculation methodologies and custodial contracting.

We interviewed all of the PPS Custodial Services staff, the Director and Assistant Director of Facilities and Asset Management (FAM), FAM Budget Analyst, Chief Financial Officer, Assistant Controller, Budget Manager, Budget Officer, the Director of Security, Risk Manager, the Director of Procurement, Maintenance Services Manager, the Portland Association of Teachers (PAT) President, and representatives from SEIU, which previously represented the custodians employed by the District and represents the custodians employed by PHC.

Recognizing that the first year of contracted services was a transitional period, we focused primarily on monitoring systems operating during the FY03-04 school year. We reviewed the District's contract with PHC, including all contract amendments. We reviewed the reporting mechanisms used by PPS Custodial Services to monitor contracted services. Using spreadsheets provided by Custodial Services, we estimated reporting compliance rates. We reviewed school-based samples of three key reports to determine whether problem areas were being addressed promptly and adequately.

We interviewed nine principals to get their qualitative impressions of service quality provided by PHC, and the mechanisms for monitoring quality. While their perspectives are not statistically representative, we sought to include schools at all levels that would broadly reflect the District's geographic, social, and demographic diversity. We observed annual site visits to two of the nine schools by the Assistant Director of FAM and a team of maintenance, safety, and custodial staff. We reviewed all of the data from the Principal's Surveys on PHC Custodial Services. In order to include the perspectives of teachers, we reviewed data from the *Portland Schools' Safety and Health* surveys collected by the Portland Association of Teachers.

We also interviewed the PHC Project Director responsible for the contract with Portland Public Schools and the PHC Quality Assurance monitor. Using information provided by PHC we assessed the time-on-the-job of PHC staff currently working in Portland Public Schools, whether they had attended Boiler Awareness Training, whether they had completed all the required criminal background checks, and turnover rates.

We contacted facilities and contract staff at Oregon Health Sciences University, Portland State University, and the Port of Portland to learn about their systems for monitoring custodial contract performance. Each of these public agencies has a longer history of contracting with PHC for custodial services. We reviewed the results of the *2002 Subcontracting Survey* by the Oregon School Boards Association to identify other Oregon schools with experience contracting for custodial services.

This audit was conducted in accordance with generally accepted government auditing standards.

# Audit Results

Costs savings methodology is sound

We independently calculated the cost savings associated with outsourcing custodial services and we concluded that the District's estimates of savings for FY02-03 and FY03-04 were reasonable and have been substantially realized. During the first year of the contract, FY02-03, the District saved \$3.8 million, after adjusting for costs and savings associated with the transition to outsourcing. Savings for FY03-04 are projected at \$6.9 million. A summary of these calculations is presented below.

Comparison of auditor and district calculations of savings

<b>Projected Custodial Costs (In-house Service)</b>	<b>FY02-03</b>	<b>FY03-04</b>
Auditor Calculation	\$17,463,547	\$18,388,466
PPS Calculation	\$17,495,992	\$18,386,395
Difference	-\$32,445	\$2,071
(%)	-0.2%	0.0%
<b>Custodial Costs under PHC Contract</b>		
Auditor Calculation	\$11,959,242	\$11,358,266
PPS Calculation	\$11,873,061	\$11,210,910
Difference	\$86,181	\$147,356
(%)	0.7%	1.3%
<b>Gross Savings</b>		
Auditor Calculation	\$5,504,305	\$7,030,200
PPS Calculation	\$5,622,931	\$7,175,485
Difference	-\$118,626	-\$145,285
(%)	-2.1%	-2.0%
<b>Other Costs and Savings</b>		
Auditor Calculation	\$1,704,515	\$115,071
Legal (cost)	\$201,296	*\$33,181
Unemployment (cost)	\$2,105,364	**\$664,933
Workers Compensation (savings)	***\$602,145	***\$583,042
PPS Calculation	\$1,900,000	\$100,000
Legal (cost)	\$200,000	\$100,000
Unemployment (cost)	\$1,700,000	0
Workers Compensation (savings)	N/A	N/A
<b>Net Savings</b>		
Auditor Calculation	\$3,799,790	\$6,915,129
PPS Calculation	\$3,722,931	\$7,075,485
Difference	\$76,859	-\$160,356
(%)	2.1%	-2.3%

\*Custodial litigation costs as 5/12/04

\*\*Actual unemployment benefit payments up to 3/31/04

\*\*\*Based on 3-year average

Overall, we found the District's cost-savings calculations and underlying assumptions reasonable in light of the information available at the time. These estimates were done at the end of the first year of the PHC contract and presented to the Board of Education on June 13, 2003. Gross savings were estimated by comparing projected custodial costs under an in-house service model to projected costs under the PHC contract. Projected in-house costs were based on the District's actual FY01-02 expenditures for custodial services. Net savings were also estimated making adjustments for other costs and savings associated with outsourcing. These included the additional costs of legal expenses and unemployment benefits, as well as District savings in Workers Compensation, costs that the contractor now assumes.

Both the District's and the auditor's calculations include a number of projections and assumptions, and the results should be interpreted carefully. While the District's calculations were based on projected and budgeted costs under the newly contracted custodial services, we were able to use more current financial information and relied on actual expenditures whenever possible. Differences in service frequencies are not considered in either the District's or Auditor's calculations.

The District calculations did not include savings in Workers Compensation claims under the PHC contract, because data was not available. We included them, which increases our estimates of savings about \$600,000. Off-setting this difference, the District significantly under-projected what it would pay out in unemployment benefits to the former custodians. Higher than expected unemployment costs may have been caused by changes in Federal and State laws relating to benefit extensions.

Contract and monitoring should be strengthened to ensure safe, clean schools

In addition to cost savings, the underlying goal of the contracted custodial services is that Portland Public Schools are kept both safe and clean. Safety includes the security of students and staff, as well as the security of buildings and physical assets. Our second audit objective was to review the District's contract with PHC and its monitoring systems to determine whether there were adequate controls on safety and cleanliness. Our assessments of the monitoring strategies used by PHC and the District focused on the key elements of effective contracting: staffing, training, and supervision; screening; monitoring reports; Quality Assurance inspections; school visits; and principal surveys. We found these systems to be adequate, but the collected information could be better integrated and automated so that quality and safety are more effectively addressed.

PHC staffing, training, and supervision

The District's contract with PHC required that each school has a permanent day custodian, but is not specific about additional staffing levels as long as all the custodial service requirements in the contract are met. PHC makes staffing allocations and assignments, and provides the District with a monthly listing of staff. Most elementary schools have a permanent day custodian and at least one night custodian. Middle

schools and high schools also have a lead day custodian, and typically have teams of day, night, and swing shift staff. During the first year of the contract, PHC allocated as much as 381 FTE to Portland Public Schools. Current custodial staffing levels are about 324 FTE. These levels are higher than the District's in-house service of 311 custodial staff.

Consistent with the contract, the District's Custodial Services manager has generally taken a "hands off" approach to staffing. The one exception is that when the Custodial Services manager has concerns about the performance of a PHC employee, he can request that PHC remove the employee immediately from the PPS contract. PHC has removed at least 32 custodial staff based on District concerns about performance.

Although PHC employees report to building principals for day-to-day tasks, direct supervision is provided by nine "PHC Cluster Supervisors." Each is responsible for overseeing the custodial work at 10-12 schools within a cluster. Most of the building principals we spoke with reported that they are more comfortable with this supervision model than the one previously in place with the in-house custodians. Several commented that PHC was very responsive when they requested that an individual custodian be taken off the contract because of performance problems. Principals had no such recourse previously.

Training is an important prerequisite for service quality. The District's Custodial Services staff worked closely with PHC staff to design new training materials and protocols consistent with the specific service expectations in the District's contract. New PHC staff completes six weeks of training at one of two schools designated as training sites. PHC's custodial manual covers a range of custodial responsibilities including routine cleaning, building security, health and safety, required inspections, and emergency procedures. Employees whose primary language is not English receive language training with an ESL teacher and must pass a minimum proficiency test before they are placed. PHC Cluster Supervisors attend ongoing weekly safety trainings with rotating topics, including boiler issues, fire extinguishers, alarms, and garbage can placement.

The District's contract with PHC requires the day custodian at each school to complete an 8-hour Boiler Awareness Training offered at Chemeketa Community College. Because of concerns expressed by principals and staff about boiler safety, we cross-checked lists of current staff against a list of those who have completed the boiler training class. We identified 23 sites where the day custodian had not completed the training. At 14 of these, one of the other assigned custodians had completed the training. At the remaining 9 schools, none of the assigned custodians had completed the boiler training. The Custodial Services Manager advised us that the College did not offer the required class in the Spring of 2004.

Retention of trained staff is another driver of service quality. We heard anecdotally that custodial turnover was high during the first year of the

PHC contract, but has decreased since then. In order to hire enough staff to comply with the District's service standards during the first year, PHC was not able to meet the State requirements for QRFs that 75% of the total work hours be performed by staff who meet disability criteria. According to the State Department of Administrative Services, PHC came back into compliance in 2003. Because PHC had to outplace staff without disabilities, this may have increased turnover. PHC calculated custodial turnover on the Portland Public Schools contract at 35% between May 2003 and May 2004. The District previously calculated a turnover rate of 18% for in-house custodians. We were unable to find documentation on how this rate was calculated so cannot attest that the two rates are comparable.

Another measure of staffing stability is time-on-the-job. We obtained from PHC employment start dates on all custodians working on the Portland Public Schools contract in March of 2004 through PHC. About 27% have worked in PPS schools for the duration of the contract (about 19 months), and 28% have worked for 13-18 months. About 23% have worked for 7-12 months and 22% for 6 months or less. Three of the nine Cluster Supervisors have worked on the District contract since its inception.

The table below profiles the current PHC workforce by disability. According to the PHC liaison on the District contract, the profile for staff working in Portland Public Schools is not significantly different.

Profile of PHC custodial services staff

Primary Disability	Percentage
Alcohol/Substance Abuse	1%
Hearing Impairment	4%
Learning Disabilities	15%
Mental Health	28%
Mental Retardation	14%
Neurological	7%
Physical Disabilities	11%
Visual Impairment	3%
Non-Disabled	17%
Total	100%

Screening of PHC custodial staff

Regular and thorough background checks on custodial staff provide a critical control element for the District's overall security. Procedures for conducting initial background checks on PHC employees have improved over the last two years. In March of 2004, the District Superintendent approved an Administrative Directive formalizing the District's criminal history screening procedures for non-licensed personnel, including contract employees. The District has invested

appropriately in strengthening the initial screening of PHC's contract employees and we encourage it to invest similarly in strengthening prompt communication and review when potential security issues are identified by principals and other school staff.

PHC conducts its own annual background checks on all employees, including those working on the Portland Public Schools contract. These checks are online searches of court and local law enforcement databases based on the employee's name and date of birth. They are not as complete or definitive as background checks based on fingerprints.

Before prospective employees can be cleared to work at Portland Public Schools, PHC also requires them to sign a consent form and submit fingerprints to the District's Office of Security. These are forwarded through the Oregon Department of Education to Oregon State Police, which runs checks against Oregon's Law Enforcement Data System (LEDS) and the FBI's system. The District's Security staff conducts a second on-line background check while awaiting the results of the fingerprint check. District policy precludes employment of persons convicted of certain crimes, and gives managers discretion around less serious offenses. The PPS Custodial Services Manager receives a written report on employees with any questionable criminal activities. We were advised that if he has any concerns at all the staff person is removed from the PPS contract. PHC staff may begin custodial work once they have cleared the District's internal background check, but the District reserves the right to exclude them from the contract if a record of criminal activity is subsequently found. Although the contract states that PHC is responsible for all costs related to background checks, the District has been covering the cost of internal background checks and fingerprint-based checks.

We found some of confusion about the current procedures for background checks conducted by PHC and by the District. Now that Custodial Services and the District's Security Office have developed stable procedures, we recommend that they better document the specific operational procedures for background checks of custodial staff. The specific roles of the contractor and the District could be more clearly described in the District's contract renewal with PHC.

Over the course of the PHC contract, the District has conducted approximately 1,700 criminal background screenings on prospective custodians. About 10% of them were found to be ineligible to work at Portland Public Schools because of criminal history, providing a false social security number, or denying knowledge of a criminal conviction. We reviewed PHC payroll records for March of 2004 and determined that all staff working on the contract had been cleared through the District's internal background checks.

Custodial Services maintains spreadsheets of all criminal history clearances and the reason for denials, and periodically cross-checks these lists against the monthly listings of custodial staff assignments received from PHC. This process is labor intensive, and cannot provide

assurance that uncleared staff could be working as custodians in Portland Public Schools. Custodial Services should convert these spreadsheets into database applications so that these checks can be done more efficiently, accurately, and regularly. The District should also require PHC to provide a unique identifier for each employee assigned to work on the contract so that updated payroll databases can be easily merged together.

The current procedures for conducting initial background checks of PHC staff are generally sound and likely exceed controls used previously to screen in-house custodians. They are generally consistent with the contract and with the District's Administrative Directive. Although PHC is required by contract to do annual on-line background checks, there is currently no policy or procedure for updating fingerprint-based record checks once PHC employees receive their initial clearance. Because of the potential risks posed to students and staff, we recommend that the District consider establishing a schedule for ongoing fingerprint-based background checks.

#### District's contract monitoring staff

The District's Facilities and Assets Management Department houses the Custodial Services management staff responsible for the monitoring activities associated with the PHC contract including: review of monitoring reports, Quality Assurance inspections, annual school visits, and the District's survey of principals.

The current Custodial Services program has been reduced by 3 FTE since outsourcing, and currently includes a Custodial Services Manager, two Field Operations Supervisors, and two clerical staff. We reviewed job descriptions and found that only the Manager's job description has been adjusted to reflect the contract monitoring functions associated with custodial outsourcing. The rest of the job descriptions should be updated accordingly. We interviewed each of the staff in the program and determined that they do not have all of the skills appropriate for contract monitoring. For example, some staff do not have the skills to develop or maintain databases, and as a result managers do not have the benefits of automated operational and monitoring data. We recommend that at least one staff person should develop stronger technical skills in using database software.

#### District review of monitoring reports

Over the last two years, the District's Custodial Services staff has worked with PHC to develop and improve a basic reporting structure to monitor contracted services. Report formats have been modified as needed and routing protocols adjusted. An October 2003 amendment to the contract clarifies PHCs reporting responsibilities. PHC custodians fill out a Custodial Services Checklist on a weekly basis to document that primary service tasks have been completed according to contract schedules. They also complete a monthly Safety Survey to identify building and maintenance problems that need attention. Additional reports submitted by PHC custodial staff include a Boiler Operator Staff Report, AHERA Periodic Surveillance Form, Work Order Log system, Purchase Order

Log, and Custodial Supply Order Form. In addition to PHC generated reports, the District receives from other contractors regular reports on evening lock up, building alarms, and fire alarms.

These reports collectively involve a lot of paper movement between PHC staff and various staff in Facilities and Asset Management. Custodial Services' clerical staff monitor PHC'S reporting compliance. We estimated based on their spreadsheets that the primary reports (Checklist and Safety Survey) have been submitted during the current school year at a rate close to 100%. While clerical staff have systems to monitor whether forms are being submitted, very little of the substantive information is maintained or monitored as automated data. As a result, Custodial Services managers have limited automated operations data on the custodial work in the buildings they are responsible for. This may be a function of the limited expertise of Custodial Services staff in the area of computer technology.

PHC's quality assurance inspections

Monthly inspections of all schools are done by PHC's Quality Assurance inspector, who has worked on the Portland contract since its inception. PHC uses a narrative QA report format which summarizes the status of each school in a paragraph or two. The QA inspector uses the language "meets PHC Quality Standards," based on overall impressions of the adequacy of custodial work at the site. When schools "do not meet PHC Quality Standards," problem areas are noted and an action plan is identified. Schools that repeatedly fail to meet standards are required to have more regular inspections by the Cluster Supervisor. In addition to the QA inspections, the Cluster Supervisor also conducts periodic inspections of each school using the Portland Schools Inspection Form. This form provides for a check of each building area, with room for brief comments.

Both the QA reports and the Inspection Forms are forwarded to the District's Custodial Services staff, and stored in binders by school. The Custodial Services Manager directs one of the two Field Supervisors to follow-up on schools with recurrent problems. These Field Supervisors also make adhoc inspections of schools using the Portland Schools Inspection Forms. With over 100 sites to monitor, the Custodial Field staff could be more effective and systematic with field inspections by establishing a schedule of visits. They might also determine objective criteria for which schools warrant more regular visits.

PHC's initial proposal included a "Cleanliness Rating Form" which is used by the QA staff at other contract sites. Using this form, the QA inspector assigns a weighted numeric score (from poor to excellent) to each area of the building. Total scores range from 0-100, and according to PHC an acceptable quality range falls between 90 and 100. PHC staff attempted to use this rating tool at Portland Public Schools during the fall of 2002 when they took over the District's custodial services. After the first month its use was discontinued because the rating scores were substandard. PHC has recently revised the form and expects to begin using it soon. With adequate training and consistent use, this

rating form will provide a more systematic means of measuring service quality in the future. The District may want to consider having PHC regularly provide Custodial Services automated rating data or at the very least some regular reports.

Annual school visits

The Assistant Director of FAM also makes site visits to every District building in the spring. The primary purpose of these visits is to review building maintenance needs with the principal. These visits include a walk through of the school, a review of completed and pending work orders, and a general discussion about building needs. The District FAM team includes Safety and Maintenance Managers, Custodial Supervisors, the PHC day custodian, and the PHC Supervisor. In light of all the staff involved, these are expensive visits and generate useful information relating to custodial services. The results are summarized in a narrative memorandum by the Assistant Director of FAM which is forwarded to both the Custodial Services Manager and the PHC Project manager. We did not find that this qualitative information is linked up to other monitoring data. We recommend that Custodial Services develop a mechanism to more systematically relate this feedback to the other elements of their systems for monitoring the quality of custodial services under the PHC contract.

Principal communication

Principals are key sources of information on school cleanliness and safety for management. During our audit, we became aware of cases in which two PHC custodians working in Portland Public Schools posed potential security risks because of incidents that occurred after initial screening procedures. Prompt review and resolution of these types of problems in the future requires that principals communicate their concerns promptly to Custodial Managers.

Since the inception of the contract with PHC, Custodial Services has also conducted semi-annual surveys of building principals (November 2002, March 2003, June 2003, and October 2003). This survey represents an important gauge of the quality of PHC's custodial services. Response rates have been high, ranging from 76% to 100%. Overall, the survey results suggests increased satisfaction over time with the school cleanliness, security, PHC's customer service and communication, and building systems including boilers. Principal satisfaction ratings are consistently highest at the elementary school level. Survey results also identify some recurrent problem areas that need additional improvement. These include concerns about custodial competency with building systems, particularly the competency of night custodians. A significant percentage of high school principals continue to have concerns about PHC performance in the areas of cleanliness, security, building systems, and communications.

Responsibility for administration and analysis of the Principal Survey was recently shifted to the District's Office of Research and Evaluation. The survey instrument has been improved and the decision made to make the principal's responses anonymous. Although future data will

Re-examining contract boundaries

not be completely comparable with previous survey results, these changes should strengthen the quality of the data and the credibility of the results. Further, the Research and Evaluation Unit will be able to incorporate the results with other regular surveys of parents, students, and staff relating to school cleanliness.

Overall, our audit found that the District's cost-savings methodology was sound and that significant savings have been realized through outsourcing. With some improvements relating to staff, monitoring reports, and automation, the elements of an adequate system for monitoring custodial services are in place. However, we also believe the next contract renewal presents an opportunity for the District to examine some the terms of its custodial contract with PHC. The District is currently negotiating on price to have PHC assume ownership and maintenance of the District's cleaning equipment.

Over the course of the audit, we identified several additional areas for potential re-consideration, including: a different service model for custodial work at the high schools, purchase of custodial supplies by PHC, and taking back District responsibility for the "boiler punching" function. Changes in these areas might save the District additional resources, reduce risks, and strengthen the overall quality of custodial services.

New service model needed at high schools

The District's monitoring data suggests that PHC's service model works at most elementary and middle schools, but does not work very well at many of the District's high schools. Those we spoke with attributed the problem to a number of factors. High Schools are larger and much more heavily used than other schools. High school students are more difficult to clean up after and are not always respectful of the needs of custodial staff to perform their jobs. At these sites, the complexity of cleanliness, safety, and after-school events can pose challenges for some of the disabled custodial staff. Daily monitoring of the custodians adds an extra workload to already burdened principals and their staff. We encourage the District to work with PHC to explore creative solutions to this issue. Additional staff will not solve the problem unless communication and supervision across larger teams of staff are strengthened. Under the in-house system, the District paid high school custodians significantly more than those at other schools. PHC could consider a similar adjustment in its pay scales to retain stronger staff at these high school sites. Alternatively, the District could consider adding a financial incentive to the contract for stronger performance at these sites.

Explore savings in custodial supplies

The District contracts with another vendor for purchase of custodial supplies and spends approximately \$790,000 annually. Both Oregon Health Sciences University and the Port of Portland include purchase of supplies in their custodial contracts with PHC. Both agencies believe PHC's purchasing power in the custodial area saves them money. We recommend that the District give PHC an opportunity to bid on supplies.

Reconsider the costs and benefits of taking back boiler “punching”

PHC staff have very limited responsibilities for boiler maintenance, and the risks associated with these responsibilities have been reduced as the District converts boilers at some schools to natural gas. However, the day custodians are responsible for making sure the boilers are operating on a daily basis. PHC has centralized the weekly “boiler punching” function and currently has 2 teams (4 staff) to rotate through the District’s buildings and perform this weekly task. In light of the costs of fuel and boiler maintenance the District might want to consider having FAM take the “boiler punching” function and adjust PHC’s contract compensation accordingly. This would provide the District with stronger controls over boiler efficiency and maintenance. It would also allow the PHC custodians to focus more of their time on core custodial issues.

# Recommendations

1. To ensure more adequate monitoring of the custodial contract with PHC, the District should
  - A. Update the District's Custodial Services job descriptions to reflect current monitoring responsibilities.
  - B. Develop a database system to integrate and track monitoring data.
  - C. Train staff in database management and analyses.
  - D. Perform field inspections regularly and systematically under established schedules.
  - E. Better insure that PHC custodians complete required boiler training.
  - F. Improve linkages between performance data and the District's corrective actions for problems.
  
2. To strengthen future controls over the security of students, staff, and facilities, the District should
  - A. Clarify contract language relating to the responsibilities and financial obligations of PHC and the District for criminal history screening of custodians.
  - B. Develop a database of custodial background checks and clearances.
  - C. Require PHC to provide a unique identifier for each employee on the contract so that databases can be easily merged.
  - D. Document operational policies for initial background checks of custodians.
  - E. Consider adopting procedures for regular, ongoing fingerprint-based background checks by the District.
  - F. Strengthen procedures for communication and resolution of potential security issues relating to PHC staff which occur after initial screening.
  
3. To ensure ongoing quality of cost-effective custodial services, the District should
  - A. Work with PHC to develop a new service model for high schools.
  - B. Consider resuming control of "boiler punching" functions.
  - C. Allow PHC to bid on custodial supplies to determine potential savings to the District.

# Responses to the Audit

---



## PORTLAND PUBLIC SCHOOLS

501 North Dixon Street / Portland, OR 97227  
Mailing Address: PO Box 3107 / Portland, OR 97208  
Phone: (503) 916-3401 Fax: (503) 916-3161

FACILITIES & ASSET MANAGEMENT

**Pamela Brown**  
Director

**DATE:** June 9, 2004

**TO:** Gary Blackmer, City of Portland Auditor  
Suzanne Flynn, Multnomah County Auditor

**FROM:** Pamela Brown, Director  
Facilities and Asset Management

**SUBJECT:** Audit of Custodial Services Contract

Thank you for the opportunity to respond to the recent audit of our custodial services contract with Portland Habilitation Center (PHC). We welcome this opportunity for an independent review by the City of Portland and Multnomah County. We support the audit findings and concur with your recommendations. We offer the following comments in response to the audit:

***Audit Result/Recommendation: Cost savings methodology is sound.***

We are pleased that the District's reported cost savings as a result of contracting out custodial services was substantiated by the audit. This was a prime reason for our department recommending this action and was certainly an important factor to our Board in their decision to support the contract. With a two-year documented savings of \$10.6 million, this contract will certainly save the District money in future years.

***Audit Result/Recommendation: All state and local government and school districts are required to purchase services from a state-registered Qualified Rehabilitation Facility.***

You correctly state that in 2002 the District solicited competitive proposals from Qualified Rehabilitation Facilities (QRF). However, since that time the Oregon Administrative Rules have changed. Public agencies are now required to directly negotiate with QRF's for goods and services, rather than issuing competitive bids and requests for proposals.

***Audit Result/Recommendation: PHC was not able to meet the State requirements for QRF's that 75% of the total work hours be performed by staff that meets disability criteria.***

While the District acknowledges that the Oregon Department of Administrative Services is the agency that enforces the QRF laws, this is also an important issue for us. During the time that

PHC was out of compliance with the 75% disabled workforce ratio, my staff maintained an ongoing dialogue with the contractor and appropriate State office to make sure the issue was properly addressed. As your audit states, PHC did come back into compliance with this ratio in 2003.

***Audit Result/Recommendation: Develop a database system to integrate and track monitoring data; update the District's Custodial Services job descriptions to reflect current monitoring responsibilities; perform field inspections regularly and systematically under established schedule.***

The District will upgrade our tracking systems in order to properly monitor contractor performance. By automating our various data collection tools, our custodial supervisors would be better equipped to identify needed service improvements. We will also update position descriptions to clearly convey staff responsibilities in this area. Field inspections will continue to be conducted, but under a more clearly defined schedule.

FAM will also be creating a Contract Administration Team. It will be comprised of senior administrators from the central office and representatives from Portland Association of Teachers (PAT) and Professional Association of Public School Administrators (PAPSA), and will evaluate the effectiveness of PHC's performance, recommending improvements as deemed necessary.

Target Completion Date: September 2004

***Audit Result/Recommendation: Better insure that PHC custodians complete required boiler training.***

We will continue to require the contractor to provide appropriate training of their employees, including an annual training on boiler maintenance. Specific building training and orientation will also be re-addressed with the contractor to ensure building custodians are familiar with operational standards and building systems. It is correctly noted that several of PHC custodians have not completed the boiler training at Chemeketa Community College, as required by our contract. However, that is due to circumstances beyond our control, as these classes have recently been cancelled.

Target Completion Date: August 2004

***Audit Result/Recommendation: Consider adopting procedures for regular, ongoing finger print-based background checks by the PHC; strengthen procedures for communication for resolution of potential security issues relating to PHC staff.***

We believe that maintaining a safe environment in our schools is a top priority and wholeheartedly agree with your recommendation to clarify and document our security clearance procedures. Creating a database on the criminal history clearances of PHC employees will better allow us to manage this area effectively. Background checks (including finger printing) will be conducted on an annual basis for all contractor employees.

Additionally, we will continue to work on improved communications with our building administrators, so that we can act appropriately and timely address any issues that may arise after initial screening. Principals will be reminded to contact FAM immediately to address any concerns regarding contractor behavior.

Target Completion Date: September 2004

**Audit Result/Recommendation: Security clearance system cannot ensure that uncleared staff could be working as custodians in Portland Public Schools.**

We disagree, however, that the current system of security clearance cannot provide assurance that uncleared staff are working in our schools. Contract employees must pass a background check through PHC, as well as a background check by Portland Public Schools prior to starting work.

**Audit Result/Recommendation: Responsibility for the Principal Surveys was shifted to Office of Research and Evaluation.**

In addition to the survey work done during the past two years, my department has secured the assistance of our Research and Evaluation Department. As the audit points out, their professionally trained staff will conduct these surveys and provide FAM the data, which we believe will improve the quality of these surveys.

Target Completion Date: Fall 2004

**Audit Result/Recommendation: New service model needed at high schools**

Due to the size and complexity of our high schools, we agree that the development of a new custodial service model makes sense. In exploring "creative solutions" as you suggest, the District is proposing to bring on an independent third party consultant to develop a cleaning model for our high schools.

Target Completion Date: Fall 2004

**Audit Result/Recommendation: Reconsider the costs and benefits of taking back boiler punching.**

As previously stated, maintaining a safe environment in our schools remains a top priority, and properly operating boilers area critical element of meeting this goal. From the beginning of the contract, we have limited PHC interaction with our boilers to routine tasks and only allow our qualified District maintenance personnel to perform boiler repairs and preventive maintenance work. The boilers are then certified by the State of Oregon.

We do appreciate the audit report's recommendation to consider having FAM take on the boiler tube punching duties in-house, which we are happy to investigate and cost out. Additional FTE would be required to do this. When the cost differential between contracted labor and public employee labor is considered, it is questionable that this would result in cost savings.

Target Completion Date: August 2004

**Audit Result/Recommendation: Allow PHC to bid on custodial supplies to determine potential savings.**

We will work with our Procurement Department to explore any potential savings that could result from having PHC purchase the supplies directly rather than the District continuing to do so. However, we do feel that the District has secured a very favorable contract for custodial supplies, evidenced by the fact that over 70 other public agencies are now using it.

There are other advantages to buying the supplies directly including the specification of environmentally friendly cleaning products (in accordance with District policy on sustainability),

and the product usage reports we currently get from our supply contractor. While we question whether or not PHC has greater buying power, we are happy to explore this as a cost savings measure.

Target Completion Date: August

2004

**Summary**

This audit, along with our own experiences during the first two years of this contract, has provided us with a number of lessons learned. It is the intent of Portland Public Schools to incorporate these lessons, and specifically your recommendations, into our contractual relationship with PHC. This will allow us to make continued improvements to the service we provide to our schools.

Please contact my office if you would like to discuss any of these issues. I can be reached at (503) 916-3403.