

## MEMORANDUM

**TO: TERRY BISS**

**FR: WILLIAM R. JUBECK**

**RE: COUNTY CONTROLLER'S AUDIT - UPDATE**

**DA: SEPTEMBER 1, 1999**

As a follow-up to my memorandum of August 6 regarding the subject audit, additional findings reported to me since that date have included:

1. The Center's window cleaning contract expired in 1994 and was not renewed through public bidding until July 1 of this year. In the interim, the vendor continued to provide window cleaning services at the former contractual rate.
2. The Center purchased additional cleaning services in excess of those contractually-specified in association with its construction/renovation program. These services were obtained from the authorized contracted housekeeping vendor. The auditors report that the review of hours and wage rates billed was inadequate.
3. Competitive quotes for the removal of hazardous medical waste were not obtained. 1998 invoices for this service totaled \$7,104.
4. Other findings related to the previously reported incomplete purchase orders and insufficient invoice scrutiny.

As formerly reported, all audit findings are being taken seriously and corrective actions are in progress.

The lapse in rebidding the window cleaning contract can be attributed to the many high priority demands made upon the Center's supervisory staff. This was discussed in greater detail in the previous memo. It is important to note, however, that the service continued to be provided from 1995 through the first half of this year at the same price as in the former contract period. Maintaining price stability during that period is to the credit of the overseeing supervisor. Furthermore, when the service was re-bid, the former contractor was the only respondent.

The reported inattention to the hours and wages billed in conjunction with the additional purchase of cleaning services requires clarification. First of all the

**purchase was from the Center's contracted housekeeping vendor that has proven its integrity over many years. It would not jeopardize its standing with the Center over a few dollars. Its current service-contract is over \$1.2 million annually. Secondly, the invoice total is a function of the hours worked, the unpredictable result of the quantity of debris and dust created at the work site and the wage rates of the personnel available to perform the work.**

**The lack of competitive quotes for the disposal of hazardous medical waste is the likely product of the limited predictability of the quantities of waste created. The Center's experience in this area is limited due to the fact that prior to 1993 such waste was disposed of through incineration. Disposal costs for the years since 1993 have been as follows: 1993 - \$4,170, 1994 - \$4,882, 1995 - \$5,080, 1996 - \$4,735, 1997 - \$5,290.**

**In some recent readings, I came across a discussion of "managerial control" that you may find of interest especially in light of the Center's "decentralized management" philosophy that I shared with you. The discussion is from a book titled Management: Analysis, Concepts and Cases written by W. Warren Haynes and Joseph L. Massie and is as follows:**

**"One of the greatest disadvantages of extensive control systems is the multiplication of written reports, added electrical circuits, or oral passing of information between units of an organization. The designer of an optimum system will weigh the advantages of extra channels against the cost in time and money of the extra contacts. Control becomes synonymous with "red tape" when the costs exceed the advantages. Therefore, any control system should be designed to maintain direct contact between the controller and the controlled."**

**"In modern management, one of the best means of controlling an operation is through the supervisor. In spite of the myriad of functional control specialists-for example, the comptroller, the inspector, the expeditor-the function of control remains essentially with the line managers. The loss in time and the decrease in accuracy accompanying a complex network of control channels are chief enemies of large-scale operations. Direct lines of control will usually be faster and more economical. Personal observation, furthermore, provides a "feel" for the total situation. It makes it easier to discriminate between important facts and trivial ones."**

**Finally, Assistant County Solicitor Ron Rojas recently informed me that of the 27 contracts costing the Center nearly \$3 million annually which were submitted for legal review at the Board of Commissioners direction only 1 was found to be non-county code compliant. This agreement is for copiers costing nearly \$40,000 annually. I'll invite you to draw your own conclusion from that report.**