



Audit Department

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Angela M. Darragh, CPA, CFE, CISA, Director

March 11, 2014

Mr. Mason VanHouweling
University Medical Center of Southern Nevada
1800 West Charleston Blvd.
Las Vegas, Nevada 89102

Dear Mr. VanHouweling:

In accordance with our annual audit plan, we recently performed an audit of the Sodexo Inc. contract with University Medical Center of Southern Nevada. Sodexo was awarded the contract for management of environmental services, landscaping services, patient transport services, and the patient response center. The original contract covered the ten year period from April 1, 2011 through March 31, 2021, with an estimated total value of \$21,478,610. Sodexo is also responsible for the management of the landscaping vendor Sedillo Landscaping Inc. The landscaping contract covers a three year period from 2014 through 2017, with an estimated cost of \$365,632. Sedillo provides landscaping services for the UMC Hospital, Total Life Care, Ranch Quick Care, Summerlin Quick Care, and the Lied Building on Pinto Lane.

Our objective was to determine whether Sodexo and Sedillo were in compliance with the terms and conditions of the contract.

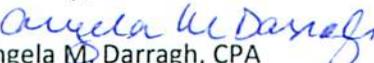
We identified several areas of concern with the Sodexo contract. We found a licensing invoice was erroneously paid by UMC in the amount of \$121,027. We also found that benchmarks were not established as required and that benchmarks that were established were not attained. Additionally, we found that employees were not trained according to the requirements of the contract. Four expenditure invoices were not made available for review.

We also identified several issues with the Sedillo contract. Quality control documents were not available for review as required by the contract. We also found that the landscaping work plan did not meet contract requirements. Further, landscaping work did not comply with the contract in the areas of weed control, ground cover, and tree pruning and trimming.

We conducted the performance audit in accordance with generally accepted government auditing standards. Those standards required 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.

A draft report was provided to the Chief Executive Officer, and his response is included.

Sincerely,


Angela M. Darragh, CPA
Audit Director

CC: Don Burnette, Clark County Manager



AUDIT DEPARTMENT

Audit Report

University Medical Center Sodexo Contract

March 2015

Angela M. Darragh, CPA, CISA, CFE
Audit Director

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BACKGROUND In 2011, University Medical Center of Southern Nevada (UMC) conducted an open and competitive bidding process in search of a new vendor for management of environmental services, landscaping services, patient transport services, and the patient response center. Sodexo Inc. was awarded the contract estimated at \$2,147,861 per year, to service the needs of UMC. The original contract covered the ten year period from April 1, 2011 through March 31, 2021, with an estimated total value of \$21,478,610

In 2014, due to the previous landscaping contract expiration, UMC conducted an open and competitive bidding process in search of a new vendor for landscaping services. Sedillo Landscaping Inc., a subcontractor which is managed by Sodexo Inc., was awarded the contract estimated at \$121,877 per year, with an additional \$10,000 per year for parts, supplies, vegetation, and materials. The original contract covers a three year period from 2014 through 2017, with a total estimated cost of \$365,632. Sedillo Landscaping Inc. provides landscaping services for the UMC Hospital, Total Life Care, Rancho Quick Care, Summerlin Quick Care, and the Lied Building on Pinto Lane.

OBJECTIVES, SCOPE, AND METHODOLOGY Our objective was to determine whether Sodexo Inc. and Sedillo Landscaping Inc. were in compliance with the terms and conditions specified in the contract. Our audit consisted of interviews with management and staff, examination of documentation, and performance of detailed tests and analyses.

We reviewed Sodexo Inc. invoices from October 2013 through March 2014 and Sedillo Landscaping Inc. invoices from January 2014 through June 2014 to determine appropriate controls. We examined the invoices to determine that payments were correctly disbursed according to the contract.

We reviewed transition meeting documentation to ensure that benchmark baselines were established and documented for patient satisfaction scores, hospital consumer assessment of health plans survey satisfaction scores, employee satisfaction scores, and quality control measures as required by Exhibit A and E of the Sodexo Inc. contract. We also performed the following tests to ensure established benchmarks were attained in practice:

- We performed an observation of the housekeeping and patient transportation services to ensure that the TeleTracking system was accurate.
- We tested the TeleTracking system reports from May through July 2014, a three month period, to ensure that contract benchmarks for stat clean (45 minutes), clean next (60 minutes) and dirty bed (45 minutes) were attained.
- We examined the TeleTracking reports from April 26, 2014 to August 1, 2014, a total of 14 weeks, to ensure that patient transports were 24 total trip minutes or less than 2.5 trips per hour.
- We reviewed documentation to ensure that exterior window washing services and pressure washing of UMC's main entrance was conducted at a minimum of 3 times per year.

Sodexo Inc. manages the landscaping services performed by the subcontractor, Sedillo Landscaping Inc. We performed the following reviews of the Sedillo Landscaping Inc. contract to ensure that the established benchmarks were maintained:

- We reviewed documentation of the quality control program that identified and corrected deficiencies in the quality of landscaping services.
- We examined the maintenance work plan to ensure that it included dates of performance of annual inspections, monthly operating inspections, preventive maintenance plan as required for each location, dates of last service, dates of next service, and the time required to complete service in hours.

In addition to the Sedillo Landscaping Inc. benchmark testing, we judgmentally performed observations on three out of the five locations: UMC Main Campus, Rancho Quick Care, and Summerlin Quick Care. The landscaping observations were performed to ensure that landscaping services met the following requirements of the contract:

- All dead weeds were removed from the area.
- Trees and palm trees were pruned or trimmed once per year.
- All dead, diseased and unsightly branches, vines or other growth were removed as they developed.

There are also specific financial obligations set forth in the Sodexo Inc.

contract. We performed the following reviews in order to ensure that double payment of expenses did not occur:

- We reviewed four shared vendors' invoices for the period of June through August 2014 and searched the SAP system to ensure that a double payment was not processed by UMC.
- We obtained invoice copies and reviewed the invoices of TeleTracking and TRAKKAR to ensure that payment was not processed by UMC.
- We judgmentally selected 5 out of 27 types of capital equipment and reviewed invoices to ensure that payment was not processed by UMC. Also, we performed observations of the 5 types of capital equipment for existence.

We performed a review of 11 employee files to ensure that the proper number of Sodexo Inc. management employees were employed. Additionally, we judgmentally selected five Sodexo Inc. management employees to ensure that background checks had been performed.

We also tested to ensure that Sodexo Inc. performed annual training for employees in the Environmental Services, Patient Transportation Services, and Service Response Center departments. We judgmentally selected five employees for each department and reviewed training documentation for 23 types of training to ensure training was performed and received. Also, we judgmentally selected five Patient Transportation employee files to ensure that UMC performed patient safety training and mechanics of patient lifting training.

We examined any contract price adjustments that occurred since January 24, 2011, which was the signed date of the Sodexo Inc. contract.

Finally, we reviewed the business associate agreement to ensure that it was updated according to the standards set forth by 45 CFR 164.532, and obtained evidence that the workers' compensation insurance and comprehensive/commercial insurance amounts were at appropriate levels as required by the Sodexo Inc. contract.

We conducted this performance audit 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.

RESULTS IN BRIEF We identified several areas of concern during our review of the terms and conditions established by the Sodexo Inc. and Sedillo Landscaping Inc. contracts, which could lead to inadequate performance and loss of revenue. Following are areas of improvement for the Sodexo contract identified during our audit:

- Employees were not trained in accordance with the annual training calendar. Benchmarks which should have been established as required by the contract were never documented.
- Environmental service benchmarks for room turnover (stat clean and clean next) were not attained during the period reviewed.
- The benchmark requirements for exterior window washing and pressure washing of the UMC main entrance were not completed for the period reviewed.
- The Business Associate Agreement was not updated according to the code of federal regulations.
- A monthly TeleTracking license fee invoice was erroneously paid in the amount of \$121,027 for the period of October 2011 through September 2014.
- In four instances, invoices relating to expenditures that were required to be paid by Sodexo Inc. were not available for review.

While performing our review of the Sedillo Landscaping Inc. benchmarks, we found the following:

- Quality control program documents were not available for review.
- The landscaping work plan did not meet the contract stipulations.
- There was a lack of weed control, ground cover inadequacies, and a shortfall in pruning and trimming trees.

Each finding includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

DETAILED RESULTS

Benchmarks Not Established and Not Attained (HIGH)

Contract benchmarks ensure that the vendor is performing services in accordance with UMC requirements. There were two types of benchmarks reviewed during our audit. First we performed a review of the benchmarks to be established as required by the Sodexo Inc. contract. In order to ensure benchmarks were established, we reviewed all provided documentation of the transition meeting minutes. Additionally, we conducted interviews with Sodexo Inc. management to determine if benchmarks had been established as required by Exhibit A and E of the Sodexo Inc. contract. We found the following benchmarks had not been established in order to set baselines for financial guarantees:

- Patient satisfaction scores.
- Hospital Consumer Assessment of Health Plans Survey (HCAHPS) Satisfaction Scores.
- Employee satisfaction scores.
- Quality control measures.

We then conducted testing to ensure that benchmarks had been attained for room turnover, exterior window washing, and pressure washing of UMC's main entrance. During our review of housekeeping benchmarks for room turnover of a three month period, we identified the following:

- In three instances (100%) the stat clean (first priority cleaning status) average turnover time did not meet the benchmark requirement of 45 minutes. The standard was met at a minimum of 28 minutes above the requirement.
- In three instances (100%) the clean next (second priority cleaning status) average turnover time did not meet the benchmark of 60 minutes. The standard was met at a minimum of 17 minutes above the requirement.

Exhibit A, section 1.1.A.2 of the Sodexo Inc. contract requires exterior window washing services and pressure washing of the UMC main entrance to be performed at a minimum of three times per year. We conducted interviews and requested documentation to ensure that services were rendered and found the following:

- Exterior window washing services were not performed.
- In three instances, invoices were not made available for review by Sodexo Inc. Therefore, we were unable to determine if pressure washing of UMC's main entrance was performed at least three times per year as required by the contract.

We reviewed the Sodexo Inc. contract and found it does not contain any penalties to be incurred by Sodexo Inc. for not meeting the required benchmarks established within the contract. When penalties for failing to meet benchmarks are not documented within a vendor contract, UMC has no recourse for poor performance by the vendor.

Recommendation

1. Establish benchmarks as required by the Sodexo Inc. contract.
2. Ensure that established benchmarks for room turnover are attained by Environmental Services.
3. Ensure that established benchmarks attained for exterior window washing and pressure washing are performed and documented by Environmental Services.

Overpayment of Expenses and Documents Not Available For Review (HIGH)

Sodexo is required to pay certain expenses by section A and B of the contract. We reviewed samples of the expenses that Sodexo Inc. is obligated to pay to ensure UMC was not paying the invoices. We reviewed 4 expense types that should have been paid by Sodexo Inc. and found the following:

- The monthly TeleTracking license fee was paid erroneously by UMC. Specifically, a monthly amount of \$3,271 was overpaid for the period of October 2011 through September 2014, totaling \$121,027, when the expense was a financial obligation of Sodexo Inc. according to Exhibit B.3.2 of the contract.

- In two instances, invoices were not made available for review by Sodexo Inc. Therefore, we were unable to determine if expenses were paid appropriately as required by the contract.

The contract documents a list of capital expenditures that are required to be paid for by Sodexo Inc. We tested a sample of 5 capital expenditures to ensure that UMC did not make payment for those items. We found in 2 out of 5 expenditures (40%) that the documents were not available for review. Therefore, we were unable to determine if two capital expenditures were paid correctly by Sodexo.

Recommendation

1. Discontinue payment of the TeleTracking invoice for license fees. Request a refund of \$121,027 from Sodexo for fees erroneously paid by UMC.
2. Review the Capital Expenditure Request approval process regarding payments for contracts to ensure that legitimate payments are disbursed.
3. Implement a process to review third party invoices for required services to ensure they are performed in accordance with the contract and paid by Sodexo.

Landscaping Benchmark Deficiencies (MEDIUM)

In order to ensure that the landscaping contract performance was meeting expectations, we performed a review of the quality control program as required by the Sedillo Landscaping Inc. contract, section III – 18. We found that as of September 15, 2014, no quality control program documents were available for review. Additionally, the quality control program was not established as required by the Sedillo Landscaping Inc. contract.

We then compared the UMC Landscaping work schedule requirements with the Sedillo Landscaping Inc. work schedule and found that the work schedule was not updated as required by Section III – 14.c. Specifically, we found the work schedule lacked the following:

- Dates of annual and monthly operating inspections.
- Dates of last service and dates of next service.

In order to ensure that landscaping services were performed as required by the Sedillo Landscaping Inc. contract, we selected three of five locations for review. We performed observations of the UMC Main campus, Rancho Quick Care, and Summerlin Quick Care and found the following:

- In 13 instances there was a lack of weed control, as required by Section IV – 3.
- In 13 instances there was a lack of ground cover, as required by Section IV – 7.
- In 1 instance there was a lack of pruning and trimming of trees, as required by Section IV-4.

Recommendation

1. Establish and maintain a quality control plan according to the contract requirements.
2. Establish and maintain a current work plan according to the contract requirements.
3. Maintain all required areas according to the contract.

Continuous Training Weaknesses (MEDIUM)

According to the Sodexo Inc. contract, Article IV, Section 4.2, “Sodexo shall provide in-service training to enhance the development of supervised employees.” In order to adequately assess the continuous training provided by Sodexo Inc., we reviewed three departments' training records (Environmental Services, Patient Transport Services, and the Service Response Center). We then compared the training performed in April, May, and June 2014 to the training received according with Sodexo Inc.'s annual training calendar for 2014. We judgmentally selected 5 employees from each department, for a total of 15 employees, and found the following:

- In 16 instances (75%) C.A.R.E.S. (Compassion, accountability, respect, enthusiasm, and service) training was not conducted for Environmental Service employees.
- In 16 instances (75%) F.O.S.S. (Focus on service spirit) training was not conducted for Environmental Service employees.
- In one instance (20%) fire safety and emergency training was not conducted for Patient Transport Services employees.

Overall, Sodexo provided continuous training for the three reviewed departments in 82 out of 115 instances, or 71% of the time.

Recommendation

1. Conduct training in accordance with the applicable training calendar for all employees.

**Business Associate
Agreement Not Updated
(MEDIUM)**

We performed a review of the Sodexo Inc. contract and found that the business associate agreement was not current. The Sodexo Inc. contract was signed on January 24, 2011, and should have been updated by September 22, 2014. According to 45 CFR 164.532 (f), "Effect of prior data use agreements. If, prior to January 25, 2013, a covered entity has entered into and is operating pursuant to a data use agreement...the date such agreement is renewed or modified by is September 22, 2014."

Recommendation

1. Amend the contract to include an updated business associate agreement.

Management Response Letter



MEMORANDUM

ADMINISTRATION

TO: Angela Darragh, Director, Clark County, Audit Department
FROM: Mason VanHouweling, CEO 
SUBJECT: Sodexo Contract Audit
DATE: February 9, 2015

We respectfully offer the following in response to the Clark County Audit Department's Sodexo Contract Audit.

Initial finding: Benchmarks Not Established and Not Attained (HIGH)

Response: Sodexo has started quarterly transition and expectation benchmark meetings with UMC Administration, September 2014. Sodexo monitors performance related to HCAHPS and NRC Picker by utilization of TRAKKAR to confirm quality performance standards are meeting those established benchmarks as agreed upon by UMC Administration and Sodexo.

Initial finding: Overpayment of Expenses and Documents Not available for Review (HIGH)

Response: Contracts Department had a meeting with Finance on 30-JAN-2015 to discuss reimbursement for balance of back fees less CPI increase for TeleTracking licensing. Capital expenditure documents not discovered by the Audit Department were provided to the Audit Department team during our draft conference on 26-JAN-2015.

Initial finding: Landscaping Benchmark Deficiencies (MEDIUM)

Response: Sodexo has discussed benchmarks with Sedillo Administration and they are committed to provide Sodexo the Quality Control Program outlining Sedillo processes for identifying and correcting deficiencies in the quality of their service and provide the names of the individuals who will perform inspections.

Initial finding: Continuous Training Weaknesses (MEDIUM)

Response: Sodexo employees did receive continuous training throughout the year to maintain and improve their competencies. Training did take place during weekly huddles, Methods of the Week, FOSS/CARES and monthly safety training. As discovered, some of this training did not take place in accordance to the formal training calendar. Sodexo will update the 2015 training calendar to accurately reflect the training being provided to the employees.

Initial finding: Business Associate Agreement Not Updated (MEDIUM)

Response: Contracts has provided the Business Associate Agreement (BAA) to Sodexo on 6-January-2015. Sodexo will sign and return the BAA to the Contract Department to update the Sodexo file with the BAA.