



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

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**FILE COPY**

June 27, 2012

Rhonda Hamm-Niebruegge, Director of Airports  
Lambert–St. Louis International Airport  
P.O. Box 10212  
St. Louis, Mo. 63145

RE: Review of ABM Janitorial Services – North Central, Inc., d/b/a Janitorial Services,  
Contract #C-57018 (Project #2012-13)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section's report of the review of ABM Janitorial Services – North Central, Inc., d/b/a Janitorial Services for cleaning services at Lambert – St. Louis International Airport for the period April 8, 2008 through March 30, 2011. A description of the scope of our work is included in the report.

Fieldwork was completed on May 30, 2012. Management's responses to the observations and recommendations noted in the report were received on June 11, 2012, and have been incorporated into the report.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure:

cc: Gerard Slay, Senior Deputy Director, Lambert – St. Louis International Airport  
Susan Kopinski, Deputy Director Finance and Administration, Lambert – St. Louis International Airport  
Henrietta Brown, MBA, Assistant Airport Director, Finance and Accounting  
Robert Salarano, Manager, Airport Properties Department  
James Fox, CPA, Airport Auditor



# CITY OF ST. LOUIS

**CITY OF ST. LOUIS**

**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**

**ABM JANITORIAL SERVICES – NORTH CENTRAL, INC.**

**D/B/A JANITORIAL SERVICES**

**CONTRACT #C-57018**

**APRIL 8, 2008 THROUGH MARCH 30, 2011**

**PROJECT #2012-13**

**DATE ISSUED JUNE 27, 2012**

**Prepared By:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT  
ABM JANITORIAL SERVICES – NORTH AND SOUTH, INC.  
D/B/A/ JANITORIAL SERVICES  
CONTRACT #C-57018  
APRIL 8, 2008 THROUGH MARCH 30, 2011**

**EXECUTIVE SUMMARY**

**Purpose**

Contract #C-5708 was selected as part the inter-agency agreement between the Airport and the Internal Audit Section to audit construction and service contracts. The purpose was to determine if ABM Janitorial Services – North Central, Inc., d/b/a/ Janitorial Services and its subcontractors had adequate controls in place to provide reasonable assurance of the following:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, procedures and contract provisions
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources
- Safeguarding of assets

**Scope and Methodology**

The scope of the review was limited to billings from contractor and subcontractors for the period June 26, 2008 through April 30, 2011. Procedures included:

- Inquiries of contractor and subcontractor and Airport management staff
- Review for compliance with policies and procedures, applicable laws and regulations and contract terms
- Other procedures as considered necessary

**Background**

Contract #C-57018 is an agreement entered into between ABM Janitorial Services – North Central, Inc., d/b/a Janitorial Services (contractor) and the City of St. Louis to provide cleaning services for A,B,C,D & E Concourses, East Gates, Customs & B/C Connector at Lambert – St. Louis International. The total contract amount was \$7,259,721. City Ordinance No. 67483 authorized the contract.

**Exit Conference**

An exit conference was held on Wednesday May 30, 2012. Contractor was represented by the Manager. The Airport Properties Department was represented by the Department Manager. The Airport Finance and Accounting Section were represented by the Airport Assistant Director -Finance & Accounting and Airport Auditor. The Internal Audit Section was represented by the Internal Audit Supervisor and Auditor-in-Charge.

## Management's Response

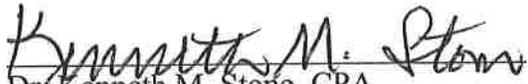
Management's responses to the observations and recommendations noted in this report were received from the consultant on June 11, 2012. The responses have been incorporated into this report.

## Conclusion

The contractor and subcontractors complied with applicable laws, regulations and contract terms, except for the following observations:

1. Opportunity to comply with living wage ordinance #65597
2. Opportunity to improve project management methods

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS**  
**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**ABM JANITORIAL SERVICES – NORTH AND SOUTH, INC.**  
**D/B/A JANITORIAL SERVICES**  
**CONTRACT #C-57018**  
**APRIL 8, 2008 THROUGH MARCH 30, 2011**

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## OBSERVATIONS

### **Status of Prior Observations**

Internal Audit Section has not previously reviewed this contract.

### **Summary of Current Observations**

The contractor and subcontractors complied with applicable laws, regulations and contract terms, except for the following observations:

1. Lack of compliance with living wage ordinance #65597
2. Opportunity to improve project management methods

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

## 1. Opportunity To Comply With Living Wage Ordinance #65597

It could not be determined if the following sub-contractors provided health insurance to their employees:

- R & T Janitorial
- Top Mop

In addition, subcontractor Top Mop's hourly wage rates did not comply with living wage rate, effective April 1, 2010, in five instances.

According to the City of St. Louis revised code Chapter 6, Section 20.020, every service contract entered into by the City, whether negotiated or advertised, shall contain provisions regarding compliance with the minimum prevailing wage rates established by the United States Department of Labor.

Article #6 of the contract requires the contractor to comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, city, local and other governmental authorities.

Article #9 "Living Wage" of the contract states that this agreement is subject to the City's Living Wage Ordinance No. 65597 and the regulations associated therewith.

ABM Janitorial services did not have a system of internal controls in place to ensure subcontractors' compliance with Living Wage requirements of the contract.

Lack of compliance with contract terms, covenants, and conditions may result in imposition of penalties specified in the ordinance and regulations, without limitation. In addition, it may result in suspension or cancellation of the contract by the City as noted in Article #9, item #7 of contract.

### **Recommendation**

Contractor establish a system of internal controls to ensure subcontractors' compliance with the living wage rate requirements of the contract.

### ***Management's Response***

*The R&T Janitorial has been current on health and welfare pension funds. The Sub-Contractor TOP MOP has been in arrears and currently is in a monthly payment plan until the delinquency is cleared.*

## **2. Opportunity To Improve Project Management Methods**

ABM Janitorial Services did not provide the following reports to the Internal Audit Section:

- Twelve Month Activity Schedule, which was required to be provided to the Airport prior to the start of any cleaning services
- Schedule of Quarterly and Semi Annual Cleaning Sequence and Time Schedule
- Annual Summary Activity Report

In addition, a second meeting with the subcontractors was needed to review the purpose of the entrance conference and provide clarity on the information needed to complete the review of the specific work performed under the contract.

The Technical Specifications Section (Appendix A) of the contract requires a 12 Month Activity Schedule to be provided to the Airport for review and approval prior to the start of any cleaning services.

Section 21 of the contract, "Activity Reports," requires a "Schedule of Quarterly and Semi Annual Cleaning" be submitted at least fifteen days prior to the anniversary of the contract year, and an Annual Summary Activity Report be submitted thirty days after the end of each contract year.

Within the "General Provisions" Section of the contract, the contractor is required to maintain, at a minimum of 3 years after the expiration of the agreement, such records and reports as are necessary to determine compliance with the obligations of the contract.

Within the "Assignment and Subcontracting" Section of the contract, the contractor is responsible for the performance of its subcontractors under this agreement.

Contractor's project management methods in place were not operating at an effective level to ensure contract compliance with the requirements of the contract. Additional time was needed to assist the sub-contractors with the audit process and the understanding of the contract provisions.

### **Recommendation**

Contractor improve the project management methods, in performance of the work under the contract, to ensure that:

- Contract deliverables per the agreement are documented and accessible upon request.
- Subcontractors are in compliance with the provisions of the contract.

## 2. Continued...

### *Management's Response*

*ABM has established a program to electronically file all contractual deliverables. This will ensure we have backup copies of any misplaced contract deliverables that can be readily reviewed at any given time. This same system will be used to store any applicable sub-contractor's deliverable as well.*