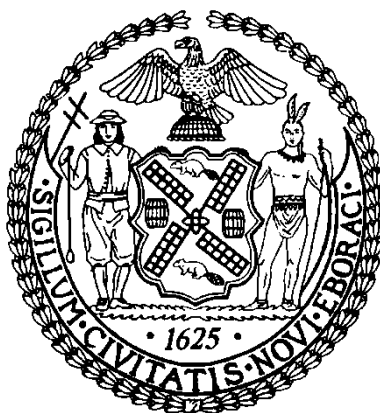


CITY OF NEW YORK OFFICE OF THE COMPTROLLER

**John C. Liu
COMPTROLLER**

MANAGEMENT AUDIT

**Tina Kim
Deputy Comptroller for Audit**



Audit Report on the Cleaning and Maintenance of Bus Stop Shelters by Cemusa NY, LLC in Compliance with Its Franchise Agreement with the Department of Transportation

MJ11-121A

July 10, 2012

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

John C. Liu
COMPTROLLER

July 10, 2012

Dear Residents of the City of New York:

My office has audited the adequacy of Cemusa NY, LLC's (Cemusa) efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with the Department of Transportation (DOT). We audit City franchisees such as this to ascertain whether they adequately comply with key provisions of their franchise agreements.

The audit determined that Cemusa needs to improve its oversight efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with DOT. Cemusa has certain mechanisms in place intended to assess its subcontractors' performance regarding the upkeep of the bus stop shelters. However, these mechanisms do not provide sufficient assurance that the subcontractors' performance ensures Cemusa's compliance with the provisions of its franchise agreement regarding that upkeep.

The audit made eight recommendations, including that Cemusa should: (1) work closely with its current subcontractor to establish more realistic productivity assumptions and goals; (2) ensure that its subcontractor allocates sufficient resources to provide assurance that all required cleanings are performed; and (3) develop a more formal and proactive strategy along with associated procedures to provide for stronger oversight and continuous monitoring of its subcontractors.

The results of the audit have been discussed with DOT and Cemusa officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please email my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,



John C. Liu

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***The City of New York
Office of the Comptroller
Management Audit***

**Audit Report on the
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AUDIT REPORT IN BRIEF

This audit assessed the adequacy of Cemusa NY, LLC's (Cemusa) efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with the Department of Transportation (DOT).

DOT is responsible for bridge and roadway conditions, parking and traffic operations, sidewalks, and other matters that affect the safety of drivers, cyclists, and pedestrians throughout the City. In May 2006, DOT entered into a 20-year franchise agreement with Cemusa to design, construct, install, and maintain coordinated street furniture throughout the City, including up to 3,300 bus stop shelters, 330 newsstands, automatic public toilets, trash receptacles, news-racks, and other public service structures. In consideration for being granted the exclusive right to sell advertising space on panels affixed to the street furniture, Cemusa has agreed to pay the City an estimated \$1.3 billion in advertising revenue and alternative compensation over the 20-year term of the agreement.

Under the franchise agreement, Cemusa is required, at its own expense, to clean, inspect, and maintain the structures in good repair. With DOT's approval, Cemusa has outsourced its inspection, cleaning, and maintenance responsibilities to subcontractors. DynaServ Industries, Inc. (DynaServ) is responsible for cleaning, inspecting, and posting advertisements, and Pipeline Construction, LLC (Pipeline) was responsible for repairing and replacing damaged parts and performing electrical repairs and annual electrical inspections. This audit addressed Cemusa's upkeep of the bus stop shelters, the most common type and widely used street furniture across the City.

Audit Findings and Conclusions

The audit concluded that Cemusa needs to improve its oversight efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with DOT.

Cemusa has certain mechanisms in place to assess its subcontractors' performance regarding the upkeep of the bus stop shelters. However, these mechanisms do not provide sufficient assurance that the subcontractors' performance ensures Cemusa's compliance with the provisions of its franchise agreement regarding the upkeep of the bus stop shelters.

For the audit test period, Cemusa's subcontractor, DynaServ, did not service (inspect and clean) the bus stop shelters at the level required. DynaServ's productivity expectations (the number of shelters that can be cleaned by each crew in one shift) are overly optimistic and DynaServ has not allocated sufficient resources to ensure that each shelter will be cleaned twice each week on non-consecutive days as required. The audit also showed that Cemusa's other subcontractor, Pipeline, needed to improve its performance in regard to responding promptly and repairing reported defective conditions. Further, there was insufficient evidence that all electrical inspections were carried out as reported. Based on these and additional factors discussed herein, we lack reasonable assurance that the bus stop shelters are serviced in accordance with Cemusa's franchise agreement with DOT.

Audit Recommendations

The audit made eight recommendations to address these weaknesses, including that Cemusa should:

- Work closely with its current subcontractor, DynaServ, to establish more realistic productivity assumptions and goals to ensure that all bus stop shelters are serviced two times each week on non-consecutive days as required by its franchise agreement.
- Ensure that DynaServ allocates sufficient resources to provide assurance that all required cleanings are performed. This should include sufficient staffing needed to cover holiday weeks, vacation schedules, and other scheduled days off.
- Develop a more formal and proactive strategy along with associated procedures to provide for stronger oversight and continuous monitoring of its subcontractors to ensure that they are meeting their contractual obligations to support and ensure that Cemusa is compliant with its obligations under the franchise agreement.

Agency Response

In their written response, Cemusa officials agreed with five of the audit's recommendations and disagreed with three others that address the need to establish more realistic productivity goals; ensure that its subcontractor allocates sufficient resources to make certain that all bus shelters are cleaned as required; and establish benchmarks to assess its subcontractors' performance on a monthly basis. In addition, Cemusa's response included objections to some of our findings. After carefully reviewing the arguments in the response, however, we see no reason to alter our findings.

DOT had no comment on the audit's findings and recommendations.

INTRODUCTION

Background

DOT provides overall policy guidance and direction for all transportation matters in New York City. DOT is responsible for bridge and roadway conditions, parking and traffic operations, sidewalks, and other matters that affect the safety of drivers, cyclists, and pedestrians throughout the City.

In May 2006, DOT entered into a 20-year franchise agreement with Cemusa to design, construct, install, and maintain coordinated street furniture throughout the City, including up to 3,300 bus stop shelters, 330 newsstands, automatic public toilets, trash receptacles, news-racks, and other public service structures. In consideration for being granted the exclusive right to sell advertising space on panels affixed to the street furniture, Cemusa has agreed to pay the City an estimated \$1.3 billion in advertising revenue and alternative compensation over the 20-year term of the agreement.

This audit addressed Cemusa's upkeep of the bus stop shelters, the most common type and widely used street furniture across the City. Under the franchise agreement, Cemusa is required, at its own expense, to clean, inspect, and maintain the structures in good repair. Additionally, Cemusa is required to respond within specific timeframes to repair defective conditions as directed by DOT (DOT directives), based on complaints received through the City's 311 call center and conditions observed by inspectors from DOT's Office of Coordinated Street Furniture Franchise (OCSFF). If defective conditions are not remediated by set due dates or Cemusa or its subcontractor otherwise fail to perform under the contract, DOT may impose liquidated damages, which are designed to make the City whole for certain deficiencies in contract performance. The due dates vary with the nature of the condition and are based on the schedule of liquidated damages in the franchise agreement.

With DOT's approval, Cemusa has outsourced its inspection, cleaning, and maintenance responsibilities to subcontractors.¹ DynaServ² is responsible for cleaning, inspecting, and posting advertisements, and Pipeline³ is responsible for repairing and replacing damaged parts and performing electrical repairs and annual electrical inspections.

Audit Objective

To assess the adequacy of Cemusa's efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with DOT.

¹ Except for the maintenance of scrollers that are maintained by Cemusa employees.

² In January 2010, Cemusa entered into a three-year contract with DynaServ to clean, inspect, and post advertisements on bus stop shelters throughout the City.

³ In October 2009, with DOT's approval, Cemusa contracted with Triumph Construction Corp. (Triumph) to install and maintain bus stop shelters. With Cemusa's approval, Triumph assigned its repair and maintenance responsibilities to Pipeline, its wholly-owned subsidiary.

Scope and Methodology Statement

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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope covered January 1, 2010, through November 22, 2011. To accomplish our objective, we carried out various audit procedures. Please refer to the “Detailed Scope and Methodology” section at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with DOT and Cemusa officials during and at the conclusion of this audit. A preliminary draft report was sent to DOT and Cemusa officials and discussed at an exit conference on May 18, 2012. On June 1, 2012, we submitted a draft report to DOT and Cemusa officials with a request for comments. We received written responses from DOT and Cemusa officials on June 15, 2012.

In its response, Cemusa agreed with five of the audit’s recommendations. However, it disagreed with three other recommendations along with the related findings, including the need to establish more realistic productivity goals; ensuring that its subcontractor, DynaServ, allocates sufficient resources (i.e., staffing) to ensure that all bus shelters are cleaned as required; and establishing benchmarks or performance standards to assess its subcontractors’ performance on a monthly basis, particularly dealing with DOT directives. Cemusa officials objected to some of our findings. Unfortunately, in addition to presenting some legitimate differences of opinion concerning our conclusions, Cemusa’s response includes numerous misrepresentations and obfuscations. After carefully reviewing the arguments in the response, we see no reason to alter our findings.

DOT officials did not elaborate on Cemusa’s comments in their response. However, they stated, “We will continue to monitor Cemusa’s compliance with all its contractual obligations under the Franchise Agreement, including those related to Cleaning and Maintenance.”

The full text of the DOT and Cemusa responses are included as addenda to this report.

FINDINGS AND RECOMMENDATIONS

Cemusa needs to improve its oversight efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with DOT. Cemusa has certain mechanisms in place to assess its subcontractors' performance regarding the upkeep of the bus stop shelters. However, these mechanisms do not provide sufficient assurance that the subcontractors' performance ensures Cemusa's compliance with provisions of its franchise agreement regarding the upkeep of the bus stop shelters.

Although our observations of bus stop shelters throughout the five boroughs found that the shelters were reasonably clean, well-maintained, and free from visible defects, we found that the exterior roof panels were not regularly cleaned. Further, if there is a lighting outage at a shelter that is serviced or inspected only during daylight hours, it is not probable that this condition will be observed by Cemusa or its subcontractors' personnel. Therefore, unless the condition is reported through 311, it is likely that the condition will go unreported and, therefore, uncorrected.

For the audit test period, Cemusa's subcontractor, DynaServ, did not service (inspect and clean) the bus stop shelters at the level required. DynaServ's productivity expectations (the number of shelters that can be cleaned by each crew in one shift) are overly optimistic and DynaServ has not allocated sufficient resources to ensure that each shelter will be cleaned twice each week on non-consecutive days as required.

The audit also showed that Cemusa's other subcontractor, Pipeline, needed to improve its prompt response to address defective conditions. We found that Pipeline responded to 17 percent of tested DOT directives from one to 22 days past the specified due dates. Further, there was insufficient evidence that all electrical inspections were carried out as reported.

Based on all the above factors, we lack reasonable assurance that the shelters are serviced in accordance with Cemusa's franchise agreement with DOT. These matters are discussed in greater detail in the following sections of this report.

Sufficient Resources Not Allocated to Meet Shelter Cleaning Requirements

We found that for the audit test period, Cemusa's subcontractor, DynaServ, did not service (inspect and clean) the bus stop shelters at the level required and did not appear to allocate sufficient resources to ensure that the shelters would be cleaned as required by the franchise agreement.

DynaServ is responsible for inspecting, cleaning, and removing graffiti, dirt, stickers, and refuse from bus stop shelters at least twice each week on non-consecutive days. DynaServ is required to maintain the necessary personnel, vehicles, equipment, and materials to satisfactorily perform its services.

As of August 2011, DynaServ allocated at least 26 cleaners and 15 trucks (13 trucks assigned to cleaning and two trucks as back-ups) to servicing the inventory of 3,216 bus stop shelters⁴ throughout the City each week. The trucks are equipped with soap, cleaning wands, and power washers attached to a tank of de-ionized water for cleaning.

Cemusa Response: “Cemusa has made a significant multi-hundred thousand dollar investment in [a] cleaning process that utilizes de-ionized water. This was detailed during the course of the audit and again in the May 18, 2012 meeting. The sole purpose of this cleaning technology is to provide a superior and longer lasting cleaning result while significantly reducing the use of soaps. This process prevents 75% of the chemicals used in the cleaning process from entering the waste stream (compared to the city's predecessor company). The implementation of this technology solution is proof of our commitment to quality results and ecologically sustainable methods. It is unfortunate that the audit report failed to mention how our investment benefits the city, our franchise agreement performance, and in particular, this audited process.”

Auditor Comment: We commend Cemusa for its consciousness in employing environmentally-friendly processes in meeting its cleaning obligations under the franchise agreement. However, neither the specific instrumentation used nor the actual cleaning process was a focus of this audit. Our observation of the cleaning process was done so that we could objectively and conservatively assess and evaluate the actual time and effort necessary to complete a cleaning route.

The shelters are serviced during two eight and one-half (8 ½) hour shifts five days each week from Sunday evening through Friday afternoon. The first shift runs from 6:30 p.m. through 3:00 a.m. and covers shelters in Manhattan and commercial areas in Brooklyn, Bronx, Queens, and Staten Island. The second shift runs from 5:00 a.m. through 1:30 p.m. and covers non-commercial areas in Brooklyn, Bronx, Queens, and Staten Island.

To meet the requirement of servicing each shelter twice each week on non-consecutive days, DynaServ's planned cleaning schedule consists of two cleaning runs. The first cleaning run includes the first five work shifts of each week and the second run includes the five work shifts during the latter part of each week. As shown in Table I below, each run consists of 62 routes (approximately 13 routes assigned per work shift) and each route includes an average of 52 (ranging from 40 to 61) bus stop shelters to be inspected and cleaned.

⁴ Based on information provided by Cemusa as of July 8, 2011.

Table I**DynaServ Bus Stop Shelter Cleaning Routes by Borough**

Borough	Number of Routes	Percentage	# of Bus Stop Shelters	Percentage	Average Shelters per Route
Brooklyn	16	26%	814	25%	51
Queens	18	29%	957	30%	53
Bronx	11	18%	562	17%	51
Manhattan	13	21%	688	21%	53
Staten Island	4	6%	195	6%	49
Total	62	100%	3,216	100%	52

If any shelter is not serviced during a given week (during either of the two scheduled routes), DynaServ will assign staff to perform the cleanings on Saturday. The number of routes and bus shelters assigned on any given Saturday may vary widely. For example, during our test week of April 17-23, 2011, DynaServ's route control forms showed that two cleaning routes were assigned covering 107 bus stop shelters. For the second test week of August 21-27, 2011, six routes were assigned consisting of 301 bus stop shelters.

Each of the 62 routes is assigned to and serviced by a one-person crew. According to DynaServ officials, the cleaning process (soaping the walls, cleaning the sidewalk, and rinsing and drying the shelter panels, posts, and bench) is simple and designed to be completed in five to seven minutes. In addition, the cleaner is required to record on the route sheet the time in and time out at each shelter and the advertisements posted at the shelter. If the cleaner observes any defective conditions, he must complete a shelter condition report, which along with the completed route control forms, is to be submitted to the shift supervisor at the end of the shift.

Cemusa officials stated that DynaServ's logistics and staffing are sufficient to enable each shelter to be serviced at the level required. However, based on our August 24, 2011, field observation of an entire cleaning shift and further analysis, we determined that DynaServ's productivity expectations are overly optimistic. Consequently, DynaServ has not allocated adequate resources to ensure each shelter will be cleaned twice each week on non-consecutive days as required by the franchise agreement.

On the day of our observation, DynaServ's employee was assigned a route of 55 bus stop shelters for servicing.⁵ (DynaServ selected the employee and the route that we observed.) In addition to the audit team, the DynaServ employee was followed and observed by officials from DOT and Cemusa. Excluding the travel time to and from DynaServ's base of operations in Queens, it took the cleaner a total of nine hours and 34 minutes to service 53 of the 55 shelters assigned to the route. In other words, it took the cleaner an average of 11 minutes to service one shelter and travel to the next. The two other shelters were not serviced. The cleaner did not take

⁵ The route actually listed 56 shelters to be serviced, including one location where the shelter had been previously removed. Therefore, no service was required. Accordingly, we considered that 55 total shelters were assigned to the route we observed on August 24, 2011.

a break and worked one and one-half hours overtime to service the 53 shelters. We noted that by 1:30 p.m., the end of the shift's regular hours, the cleaner had only completed servicing 44 (80 percent) of the 55 assigned shelters.

The route we observed started and ended near DynaServ's base in Queens (where all cleaning routes begin and end). This resulted in minimized travel time to and from the base at the beginning and end of the shift we observed. However, many assigned routes have shelters located at start and end points that are a further distance away from DynaServ's base, requiring increased travel time to and from the first and last routed bus stop shelter.

Cemusa Response: "The audit conclusion is based on a single field observation of one cleanings shift by one Dynaserv employee on August 24, 2011. In the meeting with the audit team on May 18, 2012, Cemusa provided several facts relative to this single observation. First, the auditors witnessed the unusual attention to detail this one cleaner demonstrated."

Auditor Comment: Cemusa fails to point out that the cleaner and route we observed were selected by Cemusa's subcontractor DynaServ in response to our request to observe a typical cleaning shift. At no time during the observation (which was attended by representatives from Cemusa and DOT) did Cemusa's representative claim that the work performed by the worker was atypical or beyond the scope of work called for in the franchise agreement.

Cemusa Response: "Second, it is acknowledged that this cleaner repeatedly stopped his work during the observation to allow the three trailing vehicles to catch up."

Auditor Comment: Cemusa exaggerates the facts. Our records indicate that DynaServ's cleaner had to stop only three times to allow for the three vehicles (one of which contained Cemusa and DOT representatives and the other a DynaServ supervisor) to catch up, which resulted in no more than 15 minutes being added to the total work day.

Cemusa Response: "Third, it was witnessed that this cleaner performed pressure washing of the sidewalk, which is not in the franchise agreement work scope. This additional and irrelevant cleaning therefore consumed much more water than the required work scope. Lastly, the auditors observed the water levels of the other returning cleaning employees and witnessed that these levels varied."

Auditor Comment: The franchise agreement specifically states that Cemusa is responsible for "clearing and removing debris, snow and ice from the ground in and around the Bus Shelter up to three feet on each side of the Bus Shelter and the Curb on the Curb-side of the Bus Shelter." There is nothing in the franchise agreement that suggests that power-washing of the sidewalk is outside of the scope of work. In fact, it is likely that using a broom rather than the power-washer to clean the sidewalk and the curbside would result in longer cleaning times than we observed. Accordingly, fewer shelters would be serviced by cleaners.

Cemusa Response: “Since one data point is not a significant sample, and as one observation cannot be representative of the cleaning process in totality, this analysis is therefore, not supported by the auditing standards. For these reasons, no trend can be assessed and no conclusions can be drawn. Cemusa, therefore, cannot support the stated audit conclusion.”

Auditor Comment: Our observation of August 24, 2012, provided us a first-hand account of the time required and efforts put forth by a cleaner to service and travel between bus stop shelters along an assigned route. As previously noted, the cleaner and route we observed were selected by Cemusa’s subcontractor DynaServ in response to our request to observe a typical cleaning shift. It is noteworthy that when informed of the results of our analysis, Cemusa did not offer to schedule another observation to refute the findings of the observation we conducted. We recognize that routes may vary in location and the number of assigned shelters. However, we stand by our observations as a reliable baseline measure of the average time needed to clean a bus stop shelter.

We estimate that seven hours and 15 minutes are available for actual time for cleaning and traveling between shelters, given a regular eight and one-half hour work shift, less one hour and 15 minutes for a break (30 minutes) and for preparation and travel time (an estimated 45 minutes) to and from DynaServ’s base at the beginning and end of each shift. Using the average time of 11 minutes to service and travel between each shelter, a cleaner could reasonably be expected to service a minimum of 40 shelters up to a maximum of 45 shelters in a regular work shift (representing between 75 and 86 percent of the average 52 shelters that DynaServ cleaners are expected to service each route).

Based on the above factors, we estimate that given DynaServ’s staffing and cleaning schedule, at a minimum of 40 shelters per shift, 2,480 shelters could be serviced twice each week⁶ resulting in a shortfall of 736 shelters (or 1,472 cleanings). At a maximum of 45 shelters per shift, we estimate that 2,790 shelters could be serviced twice each week⁷, resulting in a shortfall of 426 shelters (or 852 cleanings). Even if DynaServ assigned “catch-up” cleaning routes for Saturday, the estimated shortfall of between 426 to 736 bus stop shelters might not be wholly addressed with existing staff and equipment. Further, the requirement of cleaning a shelter twice each week on non-consecutive days could not be met (translating to a shortfall of between 852 and 1,472 cleanings).

Cemusa Response: “If Cemusa were to accept the assumption about a work day consisting of 7.25 hours, the estimated productivity of 40 to 45 shelters per shift does not yield the stated 2,480 to 2,790 shelters cleaned. It yields 2,600 to 2,925 shelters cleaned ((40-45 cleanings x 5 shifts x 26 people)/2). And if Cemusa were to then use the high range of the auditor estimate, 45 cleanings/shift or 2,925 shelters, a difference of 291 shelters or 582 cleanings is obtained (3,216-2,925). It is not the 852 cleanings as stated. 582 cleanings at 45 cleanings per shift yields 13 shifts (or 104 hours) of additional ‘catch up’ cleanings. Clearly this could be accomplished with overtime and/or a limited

⁶ Calculation: (40 shelters) x (62 routes) = 2,480 shelters could be serviced

⁷ Calculation: (45 shelters) x (62 routes) = 2,790 shelters could be serviced

weekend effort. . . . Cemusa believes that sufficient resources are provided to satisfy the requirements of the franchise agreement. ”

Auditor Comment: Cemusa’s analysis is based on the assumption that there are 65 routes ($5 \times 26 \div 2$) per run. However, this is incorrect; Cemusa’s own records show that there are 62 routes that service each of the 3,216 bus shelters once during each of the two scheduled weekly cleaning runs. Based on this figure, our analysis is correct.

Further, Cemusa incorrectly states that we assumed “a work day consisting of 7.25 hours.” As noted earlier in the report, we estimated that “seven hours and 15 minutes” out of a regular eight and one-half hour work shift was available for actual time for cleaning and traveling between shelters, discounting 30 minutes for a break and an estimated 45 minutes preparation and travel time to and from DynaServ’s base at the beginning and end of each shift. Cemusa did not appear to consider these factors in its own calculations. Accordingly, our finding stands unchanged.

The above results show that without regularly working overtime, it is unreasonable for DynaServ to expect that its cleaners would be able to complete servicing an average of 52 (up to the current maximum of 61) shelters in one shift. However, according to DynaServ officials, overtime is not regularly assigned to cleaners to complete their routes.

DOT’s OCSFF noted similar findings in a review of DynaServ’s performance conducted in July 2010. In its report, DOT concluded that DynaServ did not dedicate sufficient resources to meet its productivity assumptions, and, therefore, shelters were not cleaned as required. The report disclosed that for a six-week review period including February 2010 and the first two weeks of March 2010, DynaServ had allocated 15 trucks to service the shelters (12 were used on each shift for cleaning and three were used as spares) and each cleaner was expected to service 55 shelters per shift. Not all of the trucks were equipped with power washers during the time reviewed by DOT; the crews without power washers had to perform the job manually.

Although all of the trucks are now equipped with power washers and some adjustments appear to have been made in scheduling, DynaServ’s productivity expectation, in our opinion, remains overly optimistic. Therefore, the cleaners may cut corners to complete their assigned routes. For example, we found that the exterior roof panels of the observed shelters were not all cleaned. During the observed shift, in addition to power washing the interior and exterior shelter wall panels and the interior roof panel, DynaServ’s employee made a point to clean the exterior roof panel on each shelter. When the route was approximately three-quarters of the way through, the truck ran out of water and gasoline for the power washer. (DynaServ dispatched personnel to deliver the needed supplies.) Overall, an additional 10 minutes was spent replenishing the supplies needed to complete the route. DynaServ’s supervisor later stated that the cleaner we observed ran out of water and gas for the power washer because the roofs were cleaned on all of the shelters, which is not usually done.

This statement supports the conditions we observed at many of the sampled shelters. Of the 193 shelters we visited, 175 were Cemusa’s glass and steel-modeled structure and 18 others were the older model, which Cemusa is replacing. While we found the shelters were generally

clean and free from visible defects, many of the exterior glass roof panels of the newer model shelters remained dirty with grime and other residue. This condition was also supported by a Cemusa supervisor's inspection reports for June 17, 2011, of which half of the reports indicated that the exterior roof panels were dirty.

In another example, on August 23, 2011, during our unannounced observation of the first 10 shelters of one route, we observed that the cleaner left his truck, walked to and inspected a few nearby shelters, but did not clean them. Furthermore, as discussed later, questions were raised about the authenticity of route control forms we analyzed for the period April 17-23, 2011, one of the two sampled weeks we reviewed.

Cemusa Response: “The paragraph at the bottom of page 8 [of the draft report] states ‘we observed that the cleaner left his truck, walked to and inspected a few nearby shelters, but did not clean them.’ This observation was not discussed with Cemusa and it is therefore unknown if the auditors verified the identity of this Dynaserv employee. The auditors, however, are aware that Dynaserv has several inspectors on staff and these employees have no responsibilities for cleaning shelters. It would be reasonable that the auditors may have been observing such an employee. If this employee's identity was not verified, then this statement is hearsay.”

Auditor Comment: Cemusa's argument is misleading. In Cemusa's own words, DynaServ inspectors “have no responsibilities for cleaning shelters.” If, as Cemusa suggests, the DynaServ employee we observed had indeed been an inspector rather than a cleaner, then he should not have been cleaning the shelters as we observed. For our observation we selected a scheduled evening cleaning route, followed the truck, and observed DynaServ's employee cleaning and inspecting several shelters. We recorded the truck and route number and even knew the identity of the cleaner assigned to the shift. Accordingly, we stand by our finding.

Questionable Documentation

Our review of DynaServ's route control forms for the week of April 17-23, 2011, raised questions about the authenticity and accuracy of the documentation. Specifically, the results of our analysis provided strong indications that the shelters were not all serviced as required under the franchise agreement, although the documentation gave the appearance that they had. Our analysis also showed that Cemusa needs to improve its oversight of DynaServ to ensure that its servicing of bus stop shelters meets with requirements.

As reflected in Table II below, we questioned 26 routes (comprising 1,373 shelters) that were assigned to 12 cleaners during the four-day work week (April 22, 2011, was a holiday). This represented approximately 21 percent of the 124 scheduled weekly cleaning routes, covering at least 3,216 bus stop shelters and 6,432 cleanings.

Table II**26 Questionable DynaServ Shelter Service Routes for the Week of April 17-23, 2011**

Date	Cleaner	Service Assignment #1			Service Assignment #2			Service Assignment #3			Total Routes & Shelters Reported as Serviced	
		Boro	Rt#	# of Shelters	Boro	Rt#	# of Shelters	Boro	Rt#	# of Shelters	# of Rts	Total # of Shelters
4/18/2011	1	QNS	60	51	BRX	37	50				2	101
4/19/2011	2*	QNS	25*	54	QNS	25*	54				2	108
	3	QNS	27	53	QNS	36	56				2	109
4/20/2011	4	QNS	24	55	MAN	75	56				2	111
	5	BKL	10	51	MAN	72	52				2	103
	6	BKL	14	54	MAN	74	55				2	109
	7	QNS	22	55	MAN	73	54				2	109
	8	QNS	21	54	MAN	82	55				2	109
	9*	BRX	50	51	BRX	52*	49	BRX	52*	49	3	149
4/21/2011	10	QNS	32	58	QNS	34	54	QNS	35	55	3	167
	11	BKL	9	45	BKL	16	50				2	95
	12	BRX	55	51	BRX	56	52				2	103
TOTALS			12	632		12	637		2	104	26	1373

(*) Cleaners reportedly serviced the same route twice on the same day during the same shift.

Legend: BKL = Brooklyn; BRX = Bronx; MAN= Manhattan; and QNS = Queens

The route control forms indicated that the cleaners were assigned and completed two or three different routes at different locations (half of them in different boroughs) at the same time, a clearly impossible feat. For two (*) of the questionable routes, the documentation showed that the cleaners were assigned to service the same route twice on the same day during the same shift. In addition, there were 20 other routes (comprising 1,052 bus stop shelters) for which the route control forms were incomplete; neither the date nor the weekday was filled in on the forms.

In our opinion, the two latter points provided strong evidence that all of the shelters were not serviced twice on non-consecutive days, as required by the prime franchise agreement, even though the route forms indicated otherwise. Our conclusion is further supported by that fact that the week of April 17-23, 2011, was a four-day work week for DynaServ. According to a DynaServ official, Good Friday (April 22, 2011) was a paid holiday from work. DynaServ's payroll records for that week verified this. Specifically, the records showed that none of the employees were paid 40 regular hours for the week; most were paid 32 regular hours (or less) plus eight hours holiday pay. Considering these factors, we estimate that at least 1,352 shelters (2 shifts x 13 routes x an average of 52 shelters per route) were not cleaned a second time during the week of April 17-23, 2011.

For the second test week of August 21–27, 2011, which occurred while our audit was being conducted (unlike the prior April time period which was before our audit entrance conference), we found no discrepancies with the route control forms.

DynaServ includes copies of the route control forms with its monthly billing invoices to Cemusa in support of the number of shelters serviced. However, Cemusa officials told us that the forms are not reviewed. Consequently, Cemusa was unaware of the irregularities we found with the documentation for the week of April 17-23, 2011.

On December 21, 2011, we met with Cemusa and DOT officials and discussed the above findings. On February 17, 2012, Cemusa officials submitted a written response via e-mail. Regarding the lack of sufficient resources allocated by DynaServ, Cemusa officials stated that the current field pressure washing is more efficient and enables a significant reduction of time required for each cleaning. With respect to the questionable route sheets, they asserted that subsequent to our meeting of December 21, 2011, they had reviewed the documentation for the subject week of April 17-23, 2011, and found “that a majority of record sets had missing dates; some had missing names and a few lacked vehicle logs.” Although Cemusa officials attributed these discrepancies to “poor recordkeeping,” in short, their review corroborated our findings and concerns.

Cemusa officials further stated that DynaServ had dismissed the employee who had been responsible for the daily collection and analysis of all route sheets and related documentation. They went on to detail certain actions taken by DynaServ to improve its operational results, including:

- Increasing the work duties of inspectors, supervisors, and managers to coordinate and monitor all employee routes and related paperwork.
- Ensuring adequate staffing of trained personnel to cover emergency situations, holidays, vacations, and other scenarios.
- Improving its controls by requiring the review of route sheets, daily roll calls, and analysis of vehicle records and the use of sign-in and sign-out sheets.
- Implementing GPS technology to provide for tracking of vehicles.

Although these steps appear to provide stronger oversight, we cannot attest to their adequacy because they are outside the scope of the audit scope period and untested. Nevertheless, we find it interesting that Cemusa officials elaborated on DynaServ’s planned actions to address the findings we shared yet were silent about actions that Cemusa itself may have planned to implement to improve monitoring of its subcontractor. Although all cleaning responsibilities are subcontracted to DynaServ, Cemusa remains responsible for ensuring that its subcontractor fulfills its contractual obligations. As discussed later in this report, even though Cemusa has some control procedures in place (e.g., random supervisory inspections) to monitor its subcontractors, they appear to be insufficient to ensure that each shelter is serviced in compliance with franchise agreement requirements.

Cemusa Response: “In the audited period, 98 weeks of cleaning reports were created and available for review. The audit conclusion is based on the analysis of a single week

of cleaning reports (April 17-23, 2011). Cemusa reviewed the same week of records as the auditors. We did find and report to the auditors ‘that a majority of record sets had missing dates; some had missing names and a few lacked vehicle logs.’ However, because a majority of records lacked dates, Cemusa deemed this data set to be invalid. We were not able to confirm the data was in fact, for the week in question, and it was therefore impossible to perform a thorough and adequate analysis. Cemusa concluded that Dynaserv had unacceptably poor record keeping for this specific week.”

Auditor Comment: The records that Cemusa incorrectly label as a “data set⁸” are actually the electronic copies or images (PDF files) of the route control forms completed by DynaServ workers, which Cemusa supplied to us. The anomalies and inconsistencies that we found in the route control forms, rather than merely being classified as invalid, warrant further investigation as they may be indications that the work was not performed in accordance with the franchise agreement.

Further, we are puzzled by Cemusa’s claim that it was unable to confirm that the records provided were for the week of April 17-23, 2011. At the beginning of the audit, we asked Cemusa to provide us with a sample of route control forms and related documentation for a one-week period of its choosing from April 2011 (representing the last completed month invoiced by DynaServ at the time). Cemusa itself selected the week of April 17-23, 2011, and provided the records that it claimed represents the cleaning reports for that week.

Cemusa Response: “Cemusa also reported to the auditors that the Dynaserv employee that was accountable for reviewing field cleaning reports and ensuring their validity had left employment with Dynaserv. It is relevant to the audit to note that this person’s employment concluded on May 27, 2011, a date which was after the audited week of April 17-23, 2011, but more importantly, before the initiation of the city audit on June 7, 2011. Cemusa states that the negative performance of this individual did impact data validity of the audited week. Additionally, their departure was not influenced by the audit. The accountability for this process was restructured at that time.”

Auditor Comment: It appears that Cemusa is attempting to infer that the reason that this employee left DynaServ was due, at least in part, to Cemusa’s dissatisfaction with the employee’s review of the field cleaning reports. If Cemusa was aware that this employee’s review of cleaning reports was inadequate, however, we question why Cemusa did not more carefully examine the reports reviewed by this employee—including those that Cemusa provided to us in this audit—and why, by its own admission, it was not aware of the cited deficiencies until we notified officials in December 2011.

Cemusa Response: “The auditors also analyzed a second week of records (August 21 - 27, 2011) for which they ‘found no discrepancies with the route control forms.’ Cemusa analyzed two additional weeks of data (June 19-25, 2011 and September 12-19, 2011)

⁸ A data set is a collection of related but separate elements and records that can be manipulated by a computer for audit testing purposes.

with similar results. The auditors requested and were provided these two additional analyses and supporting data. Lastly, Cemusa reiterates that we were not briefed on the results of the April 17-23, 2011 audit analysis until December 21, 2011. Therefore, the second audited week of August 21-27, 2011, which was deemed as having no discrepancies should be more significant to the conclusion than just a passing comment. This August analysis in conjunction with the two additional weeks of analysis was a missed opportunity to utilize a much larger data set on which to base their conclusion.”

Auditor Comment: We are unable to attest to Cemusa’s assertion that its analysis revealed no discrepancies because officials did not provide us with the supporting documentation (i.e., route control forms, logs, etc.) upon which the analysis was based. Moreover, all three of the above-mentioned weeks occurred while the audit was in progress, when it was likely that Cemusa and its subcontractors, knowing that the audit was underway, would be more diligent in ensuring that irregularities did not occur than they would be for weeks that occurred prior to the initiation of the audit. Again, Cemusa’s acknowledgement that it was unaware of the above-mentioned irregularities and discrepancies until we advised its officials of our findings in December 2011 highlights Cemusa’s inadequate oversight. Consequently, Cemusa had limited assurance that DynaServ was fully performing its contractual obligations.

Response to Repair and Maintenance Directives Needs Improvement

Cemusa’s subcontractor Pipeline was responsible for providing the necessary labor, equipment, and supervision to service the bus stop shelters, which includes glass and bench replacement, electrical maintenance, and repair. Although Pipeline’s responsiveness to remediating reported defects was acceptable, room for improvement was noted in its timely response to making repairs.⁹

DOT emails a detailed spreadsheet to Cemusa and its subcontractors, including Pipeline, detailing defective conditions identified through 311 service requests or through inspections performed by DOT inspectors (DOT directives). Pipeline must correct those conditions for which it is responsible by “due dates” specified by DOT. The due dates vary with the nature of the condition and are based on the schedule of liquidated damages in the franchise agreement. When a condition is repaired, Pipeline updates the spreadsheet and emails it back to Cemusa and DOT. Defective conditions are also identified by DynaServ cleaners and Cemusa inspectors. Pipeline documents every request for repair with an inspection/condition report.

As shown in Table III below, our analysis of Pipeline’s response to 121 measurable repair requests¹⁰ (DOT directives) for the two sampled one-week periods showed that Pipeline responded promptly by the stated due date (based on DOT’s required response time for the given condition) only 83 percent of the time.

⁹ See the Subsequent Events section of this report.

¹⁰ There were 129 repair orders for the two one-week periods tested. However, eight of the repair orders were excluded from our analysis because they did not have either a completion date (1) or referral date (7) needed to calculate response time.

Table III
Pipeline's Responsiveness to Sampled Repair Requests

Test Period	Total Repair Orders Analyzed	Repairs performed by required due dates	Repairs performed after required due dates
04/17–23/2011	74	63 (85%)	11 (15%)
08/20–27/2011	47	38 (81%)	9 (19%)
Total	121	101 (83%)	20 (17%)

Pipeline addressed all of the remaining 20 (17 percent) repairs, however, from one to 22 days past the stated due dates. Of these 20 repair orders, 15 involved the replacement of glass panels, two involved damaged benches, two involved damaged advertisement boxes, and one other the removal of protective film from a stainless steel frame. None of these conditions were considered hazardous.

Cemusa Response: “Cemusa does not know what data was used to compute response time performances stated in Table III.” In its response, Cemusa goes on to provide the results of its own analysis of its records, which reflect 173 *Total repair orders analyzed*, 161 (93%) *Repairs performed by required due dates* and 12 (7%) *Repairs performed after required due dates*. It goes on to state: “The average days late were two days with a range from one day to three days. Nine involved glass (clean up, replace or graffiti), one lighting, one sidewalk, and one advertisement box.”

Auditor Comment: Cemusa claims that it was unable to identify the source data for Table III. However, these findings were shared with Cemusa at the conclusion of this audit and were discussed at the exit conference. Cemusa had ample opportunity to request additional information related to our findings as well as provide us with any analysis (and supporting documentation) it believed contradicted our findings yet did not do so. In any event, the source data for Table III are the various repair documentation (i.e., inspection reports, condition reports, parts repair forms, etc.) requested of and provided by Cemusa itself.

Regarding Cemusa's analysis, we cannot attest to its accuracy because Cemusa did not provide us with the supporting documentation upon which the analysis is based. Consequently, in the absence of credible evidence to the contrary, the results of our finding remain unchanged.

With the approval of Cemusa, Pipeline contracted with Dola Electrical Co., Inc. (Dola) to perform all electrical repair work and annual electrical inspections of the bus stop shelters. Accordingly, Dola is responsible for performing all electrical repairs and maintenance, including the replacement of bulbs, ballasts, fuses, switches, and sockets.¹¹

¹¹ Cemusa provides all structural components and electrical parts needed for Pipeline and Dola to carry out needed services.

On a limited basis, we reviewed DOT directives for the week of April 17-23, 2011, forwarded to Dola and identified 13 directives involving lighting outages. Dola promptly addressed 12 (92 percent) of the 13 directives by the due dates and responded to one (8 percent) other three days past the due date. If there is a lighting outage at a shelter that is serviced only during daylight hours, it is not probable that this condition will be observed. Therefore, unless the outage is reported by the public to the 311 Service Center, there is a possibility that the condition may go unreported and uncorrected.

Dola is also required to inspect all electrical wiring and connections at each bus stop shelter and test for stray voltage at least once each year and provide Cemusa with a written report of the results of such inspections and tests within five days of each inspection. Cemusa provided us with a table summarizing the number of shelters by borough for which Dola had performed a stray voltage test (inspection) and those that remained to be tested as of June 15, 2011. For the period January 1 – June 15, 2011, 1,801 (56 percent) of the 3,216 bus stop shelters reportedly had been inspected for stray voltage.

At a meeting on March 29, 2012, Cemusa officials said that neither Pipeline nor Dola are required to submit shelter inspection completion statistics on a regular basis. Instead, the information is provided in spreadsheet format upon Cemusa's request. However, because there was no evidence (i.e., inspection reports) for us to test, we could not be assured that all electrical (stray voltage) inspections were carried out by Dola as reported. This is another example of Cemusa's lax oversight of its service providers and in establishing sound control requirements for the oversight of third parties that Cemusa's subcontractors may contract with.

Cemusa Response: "The auditors were provided not just a summary, but the detailed site inspection records, dates, and associated comments. Cemusa therefore states that sufficient reporting was provided to satisfy the audit requirements. Therefore, Cemusa cannot support the conclusion as stated."

Auditor Comment: We disagree with Cemusa's assertion that the records provided satisfy our audit requirements. The electronic workbook that Cemusa provided us was information reported by Dola itself. We were provided with no source documentation, such as Dola's actual stray voltage inspection reports, to test and reconcile on a sample basis to the worksheet. Accordingly, the finding remains unchanged.

Weaknesses in Cemusa's Oversight of Subcontractors

Cemusa has certain mechanisms in place to assess its subcontractors' performance with regard to the upkeep of the bus stop shelters. However, it is lax in its oversight of its subcontractors, trusting that its subcontractors will carry out their contractual duties. Because of these factors and the matters discussed earlier, we lack reasonable assurance that the shelters were serviced in accordance with Cemusa's franchise agreement with DOT.

Cemusa employs an Operations Supervisor who oversees three field supervisors who are primarily responsible for inspecting and monitoring installation of new and disassembly of old

bus stop shelters and the laying of concrete for the shelters. If not assigned these duties, the field supervisors inspect a sample of bus stop shelters from DynaServ's previous day's cleaning schedule. For each shelter inspected, Cemusa's supervisors complete a condition report indicating the conditions observed that they turn in to the Operations Supervisor at the end of the shift. The Operations Supervisor coordinates all inspection reports and enters the noted defective conditions in an Excel spreadsheet, which is emailed to the responsible subcontractor to remediate.

The primary weaknesses here include that Cemusa does not have a set requirement for the number of inspections to be performed by its field supervisors or a protocol for selecting routes to inspect. Instead, the shelters are judgmentally selected by Cemusa's field supervisors. None of the supervisory inspections are performed in the evening, so lighting outages at the inspected shelters would not be identified. Further, Cemusa does not analyze the condition reports and measure the results of its own inspections as a means to independently evaluate its subcontractors' performance. Rather, as discussed below, it relies on data provided by its subcontractors and their respective response to correct defects identified in DOT directives to assess performance.

Cemusa Response: "Cemusa accepts this finding with one exception. The audit report states 'None of the supervisory inspections are performed in the evening'. Cemusa has and always had employee representation and inspections performed at night."

Auditor Comment: During the audit, we were told by Cemusa's Operations Manager that some supervisors work at night, however, primarily inspecting new shelter installations, concrete pours, and similar construction-related matters, not performing inspections of DynaServ's cleaners. The Operations Manager oversees all of Cemusa's field supervisors. Therefore, we had a reasonable basis to rely on his statements. Accordingly, in the absence of credible evidence to the contrary (e.g., inspection reports for inspections performed at night), the finding remains unchanged.

Quality Control Program

Cemusa requires that each of its subcontractors develop a quality control program, preapproved by Cemusa, to measure and evaluate their performance. Performance is to be measured monthly and "the Service Provider shall work to improve performance over time."

Cemusa uses the data from DynaServ inspectors' survey of shelters to evaluate and identify condition trends and as part of its assessment of DynaServ's overall performance. DynaServ has five field inspectors who are responsible for surveying shelters on a sample basis and assessing cleaners' performance of their job duties. For each shift, the inspectors complete a report indicating employee(s) observed, the route and shelters inspected, any defective conditions observed, the time and day each inspection was done, and the inspector's assessment of the cleaner(s). The results of these inspection reports are entered into a spreadsheet, which upon request is emailed to Cemusa. In turn, Cemusa evaluates the results of the survey inspection results and prepares metrics reports by month to track the number of shelters inspected and the number identified with and without defects.

Even though DynaServ's contract with Cemusa began in January 2010, Cemusa had monthly metrics reports only for June 2011 (coinciding with the initiation of our audit) and after. Based on an interview with officials, Cemusa started measuring performance sometime in June 2011. On March 29, 2012, we requested all available reports and received those for the months of June 2011 through January 2012. As reflected in Table IV below, we analyzed these monthly reports and calculated the monthly average number of shelters inspected by DynaServ.

Table IV

Cemusa's Monthly Metrics Reports of DynaServ's Self-Reported Survey Results
June 2011 through January 2012

Report Month	<i>Percent of 3,216 Total Shelters Surveyed</i>	Bus stop shelters Surveyed	Bus stop shelters without Defects	<i>Percentage</i>	Bus stop shelters with Defects	<i>Percentage</i>
Jun-11	25%	803	791	99%	12	1%
Jul-11	19%	617	603	98%	14	2%
Aug-11	22%	694	681	98%	13	2%
Sep-11	21%	670	657	98%	13	2%
Oct-11	22%	721	706	98%	15	2%
Nov-11	22%	721	706	98%	15	2%
Dec-11	29%	921	906	98%	15	2%
Jan-12	28%	900	884	98%	16	2%
Monthly Averages	24%	756	742	98%	14	2%

Based on Cemusa's monthly metrics reports, DynaServ's inspections showed that 98 percent of the shelters inspected were without defects. Only a small portion of shelters reportedly were found with some defects. Cemusa's reliance on these metrics reports as part of its assessment of DynaServ's performance is problematic, however, because the information upon which the reports are based is self-reported by DynaServ. Cemusa should be conducting its own inspections or at least validate, on a sample basis, the results reported in DynaServ's inspection reports. Without this, there is limited assurance that all information recorded and sent by DynaServ to Cemusa is complete and accurate.

Cemusa also monitors subcontractors' performance by assessing their timely response to DOT directives. DOT OCSFF has four inspectors who perform follow-up inspections on DOT directives sent to Cemusa and its subcontractors to address. Our review of DOT directives for the period July 1, 2010, to June 30, 2011 (exclusive of complaints related to snow), found that of the 4,468 directives issued for both cleaning and maintenance conditions, Cemusa's subcontractors, DynaServ and Pipeline, responded to and addressed 4,092 directives (92 percent) by the due dates set by DOT (as established by the franchise agreement). The remaining 376 (8 percent) of the DOT directives were responded to after the required due dates.

Cemusa Response: “[A] Quality Control Program is a continuous improvement program for which improvement over the course of time is the objective. A quality program is not a requirement of the franchise agreement. Cemusa’s created the contract terms with Dynaserv that required the creation of a quality program. Cemusa met our self-imposed target for establishing said program. The program clearly defines successful performance (that is, defect-free performance) for the cleaning process, the posting process, and DOT directive performance. Based on these definitions, inspections are performed and any potential defects are recorded, and analysis is subsequently performed. Dynaserv has similarly met its commitment to the program during the audit period by informing and training its workforce, collecting data, and working with Cemusa to review the data and to improve. Ultimately, long term trends have been established and second level analyses on potential root causes have been performed.”

Auditor Comment: Regardless of whether or not the franchise agreement requires the establishment of a quality control program, Cemusa strays from the primary issue at hand. Specifically, Cemusa has a duty to ensure that its subcontractors fulfill their obligations with respect to cleaning and servicing the bus stop shelters. The key weakness with DynaServ’s quality control information is that it is self-reported. The audit found that Cemusa had no mechanism to independently gain assurance that the reported performance statistics are reliable.

Cemusa has not established goals or benchmarks that subcontractors must meet to assess acceptable and unacceptable levels of subcontractor performance with respect to the timely response to DOT directives. Instead, if DOT imposes liquidated damages on Cemusa for lack of satisfactory performance (missed due dates) in line with the franchise agreement, Cemusa will pass them onto the subcontractors, who in their subcontracts indemnify Cemusa against any liquidated damages imposed.

In addition, the subcontractors are required to provide quality guarantees related to their performance as per their contracts with Cemusa. However, no evidence was provided to assess whether such guarantees had been established and, if so, whether they were enforced. Rather than being proactive and employing ongoing monitoring, Cemusa relies heavily on DOT to monitor its subcontractors’ performance.

Cemusa Response: “There is only one program goal – zero defects. Working to prevent defects is, by definition, the objective. To put another way, the program goal is to not have problems in the first place. In the context of DOT directives, our Quality program not only addresses achieving the required timely performance, but to also reducing the possibility of future directives. Two results can be possible – timelier directive response, and fewer total directives relative to inspections. This is a superior objective and we cannot support a benchmark based on an arbitrary percentage. This was detailed in the audit period and again extensively in the May 18, 2012 meeting. Cemusa, therefore, rejects the statement that ‘Cemusa has not established goals or benchmarks that subcontractors must meet to assess acceptable and unacceptable levels of subcontractor performance with respect to timely response to DOT directives.’”

Auditor Comment: We acknowledge Cemusa’s desire to work towards a “zero-defect” goal. Nevertheless, defects do indeed occur, as evidenced by the directives issued by DOT, and Cemusa’s zero-defect goal cannot measure its subcontractors’ performance in addressing and remediating directives. Accordingly, we stand by our finding.

Recommendations

Cemusa should:

1. Work closely with its current subcontractor, DynaServ, to establish more realistic productivity assumptions and goals to ensure that all bus stop shelters are serviced two times each week on non-consecutive days as required by its franchise agreement.

Cemusa Response: Cemusa disagreed, stating: “The audit conclusion of insufficient cleaning resources is based on one observation of an 11 minute average cleaning (9 hours 34 minutes for 53 cleanings, or 10.83 minutes per cleaning) or 40 cleanings in an assumed average 7.25 hour work shift. The report then states a maximum, though not observed, productivity of 45 cleanings per shift (9.67 minutes per cleaning). Cemusa assumes that the higher range may be acknowledgement that their single August 24, 2011 observation of 40 cleanings per shift was not representative. Regardless, we state that the 45 cleanings per shift is still not representative of actual performance.

If Cemusa were to accept the 7.25 hour work shift assumed by the auditors, we must then provide for 6,432 cleaning per week (3,216 x 2) or 8.79 minutes per cleaning. The actual average performance is 8.5 minutes or less. That represents an actual average of 51+ cleanings per shift and this is reflected as an expectation on the route sheets. We therefore believe that Dynaserv’s planning and actual performance satisfies the requirements of the franchise agreement.”

Auditor Comment: As stated previously, Cemusa’s subcontractor DynaServ selected the cleaner and route for our observation of a typical route cleaning, during which only 44 shelters were cleaned by the end of the shift’s regular (8 ½) hours. At no time during or subsequent to our observation has Cemusa provided credible evidence that the worker performed duties in excess of what is called for in the franchise agreement. Additionally, and possibly more telling, Cemusa has not offered to schedule another observation to refute the findings of the one we conducted. Therefore, we stand by our calculations.

Cemusa does not provide the basis upon which it arrived at its calculations, so we are unable to determine their accuracy. Accordingly, in the absence of credible evidence to the contrary, the recommendation and associated findings remain unchanged.

2. Ensure that DynaServ allocates sufficient resources to provide assurance that all required cleanings are performed. This should include sufficient staffing needed to cover holiday weeks, vacation schedules, and other scheduled days off.

Cemusa Response: Cemusa disagreed. Similar to its response to Recommendation #1 and as reflected earlier, Cemusa provided alternative calculations to support its position, and concluded stating: “Cemusa believes that sufficient resources are provided to satisfy the requirements of the franchise agreement.”

Auditor Comment: Refer to auditor comment under recommendation #1.

3. Ensure that shelter exterior roof panels are regularly cleaned.

Cemusa Response: Cemusa agreed, stating: “The observation on roof cleaning was formally related by the auditors to Cemusa on December 21, 2011. However, it should be noted that the frequency of roof cleaning was adjusted immediately subsequent to the field observation on August 24, 2011. It remains such as today.”

4. Require that shelters regularly serviced during the day be periodically serviced or inspected during night hours to ensure that lighting outages will be identified promptly and corrected.

Cemusa Response: Cemusa agreed, stating: “Dynaserv will be initiating regularly scheduled illumination inspections beginning July 1, 2012 that will yield 100% coverage over a three month period. The results of these inspections will be used to direct timely corrective action.”

5. Require that DynaServ submit payroll records, rosters, and vehicle logs along with route control forms with their monthly billings. These documents should be reviewed at least on a sample basis to provide assurance that shelters are being cleaned as reported and billed.

Cemusa Response: Cemusa agreed, stating: “Dynaserv has already been informed of the Cemusa requirement to provide cleaning route sheets, vehicle logs, and sign in sheets. Cemusa will select record sets to analyze and obtain the associated payroll information which validates the actual paid employees. Cemusa will then analyze these records to confirm and assure the required cleaning performance. The frequency of audits will be established and adjusted based on the audit results.”

6. Increase the frequency of Cemusa field supervisors’ inspections of bus stop shelters. Subsequently, the results of such inspections should be analyzed as a means to independently evaluate subcontractors’ performance.

Cemusa Response: Cemusa agreed, stating: “Cemusa is presently defining the resources and accountability for field inspections, and will implement regularly scheduled inspections to independently and adequately evaluate the cleaning performance of our subcontractor, Dynaserv.”

7. Establish benchmarks or performance standards to more appropriately measure and assess its subcontractors’ performance on a monthly basis.

Cemusa Response: Cemusa disagreed, stating: “As noted in the response above [shown on page 20], the Quality Program has had a clear goal of zero defects since its inception. Establishing a lower performance benchmark is neither desirable nor supportive of the program objectives.”

Auditor Comment: While Cemusa posits its “zero-defect goal” and “continuous improvement objective” as being superior, its model does not specifically provide for monitoring its subcontractors’ responses to DOT directives when defects *do* occur. Accordingly, the recommendation stands.

8. Develop a more formal and proactive strategy along with associated procedures to provide for stronger oversight and continuous monitoring of its subcontractors to ensure that they are meeting their contractual obligations to support and ensure that Cemusa is compliant with its obligations under the franchise agreement

Cemusa Response: Cemusa agreed, stating: “Cemusa will strengthen its proactive oversight and monitoring of its contractors by developing a formalized set of procedures.”

Other Matters

Cemusa’s Response to Snowstorms

We ascertained the actions that Cemusa has taken to improve snow removal response.

In the event of snow, Cemusa, through its service provider DynaServ, is responsible for clearing away up to three feet of snow and ice from each side of the shelter. During the blizzard of December 2010 and subsequent snow storms in January 2011, DynaServ did not clear all of the bus stop shelters as required under the franchise agreement. For the shelters that were not appropriately cleared, DOT charged Cemusa more than \$90,000 in liquidated damages for deficient performance.

DOT may require Cemusa to adjust its maintenance policies if a 20 percent increase in directives occurs from one six-month period to the six-month period immediately following. Our analysis of DOT directives for the period of January through June 2011 showed that DOT directives increased by 458 (23 percent) to 2,463 directives for the six-month period of January – June 2011, from 2,005 directives for the preceding six-month period of July – December 2010.

Noting the increase in directives, we spoke with DOT and Cemusa officials. In reply to our inquiries on the matter, in an e-mail dated September 13, 2011, Cemusa officials stated that in response to the winter of 2010-2011, Cemusa was (at the time) in the process of implementing procedures with its subcontractors to ensure that they are better able to address snow removal from the bus stop shelters. They went on to say that Cemusa would be “coordinating their efforts with DOT, the Department of Sanitation (DOS), and the Office of Emergency Management

(OEM), and advising their contractors of the routes that have been cleared and which bus stop shelters they can access and clean.” Further, they stated that Cemusa had meetings “with DOT and OEM with the goal of improving the coordinated snow removal response to the extent possible” and to improve communication between the agencies for the purpose of bettering the snow clearing response at bus stop shelters.

Subsequent Events

On March 29, 2012, Cemusa officials stated that effective January 1, 2012, Cemusa turned over Pipeline’s duties to DynaServ, thus making DynaServ wholly responsible for all cleaning, repair, and maintenance of the bus stop shelters as well as all other street furniture covered by the franchise agreement. The issues reported regarding Pipeline, its subcontractor Dola, and Cemusa’s oversight of them should be viewed in the context of the above.

DETAILED SCOPE AND METHODOLOGY

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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope covered January 1, 2010, through November 22, 2011. To accomplish our objective, we carried out various audit procedures, discussed below.

To understand Cemusa's responsibilities regarding the upkeep of the bus stop shelters, we read and abstracted relevant provisions of the franchise agreement, which formed the basis of our audit criteria. We also reviewed subordinate agreements between Cemusa and its subcontractors, DynaServ and Pipeline. We compared the subordinate agreements to the primary franchise agreement to determine whether the former contained provisions mirroring the requirements established in the franchise agreement. Further, we determined whether appropriate approvals were obtained to allow for the subcontracting.

We interviewed officials from DOT, Cemusa, and its subcontractors DynaServ and Pipeline, and conducted walk-throughs of relevant procedures to understand and assess the adequacy of relevant controls, processes, and the flow and reporting of information relevant to the inspection, cleaning, and maintenance of the bus stop shelters. We also assessed Cemusa's oversight of its subcontractors and each of the respective parties' supervision of relevant personnel and resources.

Accompanied by Cemusa and DOT officials, we followed and observed a DynaServ cleaner for an entire shift on August 24, 2011, during which we initially observed and noted the condition of each shelter and then viewed the cleaner service (inspect and clean) each shelter along the assigned route. Throughout the observation, we logged the time spent for the cleaner to service and travel between each shelter. Based on our observations, we evaluated the sufficiency of the resources (i.e., personnel, vehicles, etc.) allocated by DynaServ to service all of the bus stop shelters as required under the franchise agreement.

To assess the overall conditions of the bus stop shelters, prior to and during the audit fieldwork, we visited a total of 193 bus stop shelters along targeted routes throughout the five boroughs. Our observations occurred prior to and during audit fieldwork as follows:

- On May 31 and June 1, 2011, prior to the entrance conference, we visited 55 shelters in Queens, Brooklyn, Bronx, and Manhattan.
- On August 23, 2011, the evening prior to our route observation, we visited 31 shelters in Manhattan.

- On August 24, 2011, during our route observation and prior to the cleaning of each structure, we observed 53 shelters in Queens.
- On November 15 and 17, 2011, we visited 54 shelters in Queens, Bronx, Staten Island, and Brooklyn.

During our observations of the shelters, we checked for (1) cleanliness of the grounds, benches, roofs, and wall panels; (2) scratches, graffiti, and breakage of glass panels; (3) exposed electrical wires and burned out light bulbs; and (4) rust on benches and posts. On November 22, 2011, we revisited 34 of the 54 shelters in Queens, Bronx, and Brooklyn initially visited on November 15 and 17, 2011, to ascertain whether the roofs had been cleaned and any of the minor conditions (i.e., graffiti or stickers) we previously observed had been addressed.

We obtained, reviewed, and analyzed relevant source documentation from Cemusa for its subcontractors DynaServ and Pipeline (i.e., cleaning route sheets, inspection reports, work orders, etc) to assess the types of documentation used and to test the reported cleaning, inspection, and repairs of shelters, respective to each subcontractor. The documentation we requested of and provided to us by Cemusa covered two judgmentally-selected, one-week periods: (1) the week of April 17-23, 2011, representing a week prior to the entrance conference and (2) the week of August 21-27, 2011, representing the week during which we conducted our audit observation of DynaServ personnel servicing the shelters.

To determine how complaints from the public are communicated to Cemusa and its subcontractors for resolution, we interviewed DOT officials and observed the process of how complaints flow from the public (311 service requests) and DOT inspectors into directives that are then communicated to Cemusa and its subcontractors for action. We tested Cemusa's timeliness in responding to DOT directives for the period July 1, 2010, through June 30, 2011.

To determine whether Pipeline picked up DOT directives for repair, we reviewed data for DOT directives associated with shelter conditions needing repair for the test week of April 17-23, 2011, and traced them to associated source documentation. The results provided reasonable assurance that Pipeline prepared repair orders for all of the DOT directives indicating conditions requiring repair. To ascertain whether Pipeline promptly repaired reported conditions in line with timeframes established in the franchise agreement, we reviewed and analyzed repair documentation requested of and provided by Cemusa for all Pipeline related defective conditions for the two one-week test periods of April 17-23, 2011, and August 21-27, 2011. The information provided by Cemusa detailed 129 defective conditions directed to Pipeline. We assessed whether Pipeline and its subcontractor Dola responded promptly to remediate reported defects or make necessary repairs. Further, on a limited basis, we reviewed and evaluated the frequency of Dola's annual shelter inspections.

For the period September 2010 through September 2011, we compared DynaServ's invoices for cleaning services to payments made by Cemusa to determine if they had any disputes concerning the cleaning services provided.



Department of Transportation

JANETTE SADIK-KHAN, Commissioner

June 15, 2012

Ms. Tina Kim
Deputy Comptroller for Audits
1 Centre Street Room 1100
New York, N.Y. 10007-2341


*Re: Audit Report on the Cleaning and Maintenance of Bus Stop Shelters by
Cemusa NY, LLC, in compliance with Its Franchise Agreement with the
Department of Transportation (DOT) MJ11-121A*

Dear Ms. Kim:

Attached is Cemusa's response to the draft report. Cemusa disagreed with most of the audit findings and explained the reasons for their disagreement. Of the eight audit recommendations, Cemusa agreed with five and disagreed with three.

We will continue to monitor Cemusa's compliance with all its contractual obligations under the Franchise Agreement, including those related to Cleaning and Maintenance. Thank you.

Very truly yours,


LUCITA C. ANDRES
Auditor General

Attachment

cc: Comm. J. Sadik-Khan; FDC L. Ardito; GC P. Damashek; AC B. McKenna; C. Pujol CEO, Cemusa; D. Yagnesak, V.P. Operations, Cemusa; G. Davis, MOO

June 15, 2012

Ms. Tina Kim, Deputy Comptroller for Audit
Office of the New York City Comptroller
1 Centre Street, Room 1100
New York, NY 10007-2341

Re: Response to Audit Report MJ11-121A

Dear Ms. Kim,

We appreciate the time and attention paid to the review of our operations and the report generated. We view audits as opportunities for improvements for which a third party can contribute valuable insight. Cemusa was pleased to see that our bus shelters were found to be "reasonably cleaned, well-maintained, and free from visible defects".

You requested our response to your draft report dated June 1, 2012.

This report states that the applicable audit 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 audit objectives". The audited period is stated as extending from January 1, 2010 to November 22, 2011 - approximately 23 months.

Audit Finding: Sufficient Resources Not Allocated to Meet Shelter Cleaning Requirements

In the audited period, more than 12,000 cleaning routes were serviced for which 630,000 bus shelter cleanings were performed. The audit conclusion is based on a single field observation of one cleaning shift by one Dynaserv employee on August 24, 2011. In the meeting with the audit team on May 18, 2012, Cemusa provided several facts relative to this single observation. First, the auditors witnessed the unusual attention to detail this one cleaner demonstrated. Second, it is acknowledged that this cleaner repeatedly stopped his work during the observation to allow the three trailing vehicles to catch up. Third, it was witnessed that this cleaner performed pressure washing of the sidewalk, which is not in the franchise agreement work scope. This additional and irrelevant cleaning therefore consumed much more water than the required work scope. Lastly, the auditors observed the water levels of the other returning cleaning employees and witnessed that these levels varied.

Since one data point is not a significant sample, and as one observation cannot be representative of the cleaning process in totality, this analysis is therefore, not supported by the auditing standards. For these reasons, no trend can be assessed and no conclusion can be drawn. Cemusa, therefore, cannot support the stated audit conclusion.

The paragraph at the bottom of page 8 states “we observed that the cleaner left his truck, walked to and inspected a few nearby shelters, but did not clean them.” This observation was not discussed with Cemusa and it is therefore unknown if the auditors verified the identity of this Dynaserv employee. The auditors, however, are aware that Dynaserv has several inspectors on staff and these employees have no responsibilities for cleaning shelters. It would be reasonable that the auditors may have been observing such an employee. If this employee’s identity was not verified, then this statement is hearsay.

The type and method of cleaning street furniture is not defined in our franchise agreement. Nevertheless, Cemusa has made a significant multi-hundred thousand dollar investment in cleaning process that utilizes de-ionized water. This was detailed during the course of the audit and again in the May 18, 2012 meeting. The sole purpose of this cleaning technology is to provide a superior and longer lasting cleaning result while significantly reducing the use of soaps. This process prevents 75% of the chemicals used in the cleaning process from entering the waste stream (compared to the city’s predecessor company). The implementation of this technology solution is proof of our commitment to quality results and ecologically sustainable methods. It is unfortunate that the audit report failed to mention how our investment benefits the city, our franchise agreement performance, and in particular, this audited process.

Audit Finding: Questionable Documentation

In the audited period, 98 weeks of cleaning reports were created and available for review. The audit conclusion is based on the analysis of a single week of cleaning reports (April 17-23, 2011). Cemusa reviewed the same week of records as the auditors. We did find and report to the auditors “that a majority of record sets had missing dates; some had missing names and a few lacked vehicle logs”. However, because a majority of records lacked dates, Cemusa deemed this data set to be invalid. We were not able to confirm the data was in fact, for the week in question, and it was therefore impossible to perform a thorough and adequate analysis. Cemusa concluded that Dynaserv had unacceptably poor record keeping for this specific week.

Cemusa also reported to the auditors that the Dynaserv employee that was accountable for reviewing field cleaning reports and ensuring their validity had left employment with Dynaserv. It is relevant to the audit to note that this person’s employment concluded on May 27, 2011, a date which was after the audited week of April 17-23, 2011, but more importantly, before the initiation of the city audit on June 7, 2011. Cemusa states that the negative performance of this individual did impact data validity of the audited week. Additionally, their departure was not influenced by the audit. The accountability for this process was restructured at that time.

Nevertheless, the auditors, used the April week of data as being valid and the report goes on to state that “Specifically, the results of our analysis provided strong indications that the shelters were not all serviced as required under the franchise agreement, although the documentation gave the appearance that they had.” and further “their (Cemusa’s) review corroborated our findings and concerns”. We respectfully submit that without a valid data set, it is not possible to

draw the stated conclusion. And further, Cemusa's response statement most definitely does not corroborate the audit conclusion.

The auditors also analyzed a second week of records (August 21-27, 2011) for which they "found no discrepancies with the route control forms". Cemusa analyzed two additional weeks of data (June 19-25, 2011 and September 12-19, 2011) with similar results. The auditors requested and were provided these two additional analyses and supporting data. Lastly, Cemusa reiterates that that we were not briefed on the results of the April 17-23, 2011 auditor analysis until December 21, 2011. Therefore, the second audited week of August 21-27, 2011, which was deemed as having no discrepancies, should be more significant to the conclusion than just a passing comment. This August analysis in conjunction with the two additional weeks of analyses was a missed opportunity to utilize a much larger data set on which to base their conclusion.

Since one data set is not a significant sample, and as this is not representative of the all cleaning record sets, this analysis is therefore, not supported by the auditing standards. For these reasons, no trend can be assessed and no conclusion can be drawn. Cemusa, therefore, cannot support the stated audit conclusion.

Audit Finding: Response to Repair and Maintenance Directives Needs Improvement

Cemusa does not know what data was used to compute response time performance as stated in Table III. Our records indicate total Pipeline directives for the audited weeks are:

Test Period	Total Repair Orders Analyzed	Repairs performed by required due dates	Repairs performed after required due dates
4/17 - 23/2011	93	87 (94%)	6 (6%)
8/20 - 27/2011	80	74 (93%)	6 (7%)
Total	173	161 (93%)	12 (7%)

The average days late were two days with a range from one day to three days. Nine involved glass (clean up, replace or graffiti), one lighting, one sidewalk, and one advertisement box.

The last paragraph states "However, because there was no evidence (i.e. inspection reports) for us to test, we could not be assured that all inspections were carried out as reported". The auditors were provided not just a summary, but the detailed site inspection records, dates, and associated comments. Cemusa therefore states that sufficient reporting was provided to satisfy the audit requirements. Therefore, Cemusa cannot support the conclusion as stated.

Audit Finding: Weakness in Cemusa's Oversight of Subcontractors

Cemusa accepts this finding with one exception. The audit report states "None of the supervisory inspections are performed in the evening". Cemusa has and always had employee representation and inspections performed at night.

Audit Finding: Quality Control Program

The first sentence "Performance is to be measured monthly and "the Service Provider shall work to improved performance overtime" is misstated. It should be "Performance of such elements shall be measured monthly and the Service Provider shall work to improve performance over time." Quality Control Program is a continuous improvement program for which improvement over the course of time is the objective.

A quality program is not a requirement of the franchise agreement. Cemusa's created the contract terms with Dynaserv that required the creation of a quality program. Cemusa met our self-imposed target for establishing said program. The program clearly defines successful performance (that is, defect-free performance) for the cleaning process, the posting process, and DOT directive performance. Based on these definitions, inspections are performed and any potential defects are recorded, and analysis is subsequently performed. Dynaserv has similarly met its commitment to the program during the audit period by informing and training its workforce, collecting data, and working with Cemusa to review the data and to improve. Ultimately, long term trends have been established and second level analyses on potential root causes have been performed.

The auditors have suggested a performance benchmark such as 90% or 95%. Such a benchmark would be contrary to Cemusa's continuous improvement objective.

There is only one program goal - zero defects. Working to prevent defects is, by definition, the objective. To put another way, the program goal is to not have problems in the first place. In the context of DOT directives, our Quality program not only addresses achieving the required timely performance, but to also reducing the possibility of future directives. Two results can be possible - timelier directive response, and fewer total directives relative to inspections. This is a superior objective and we cannot support a benchmark based on an arbitrary percentage. This was detailed in the audit period and again extensively in the May 18, 2012 meeting. Cemusa, therefore, rejects the statement that "Cemusa has not established goals or benchmarks that subcontractors must meet to assess acceptable and unacceptable levels of subcontractor performance with respect to timely response to DOT directives".

Audit Recommendation: Work closely with its current subcontractor, Dynaserv, to establish more realistic productivity assumptions and goals to ensure that all bus stop shelters are serviced two times each week on non-consecutive days as required by the franchise agreement.

The audit conclusion of insufficient cleaning resources is based on one observation of an 11 minute average cleaning (9 hours 34 minutes for 53 cleanings, or 10.83 minutes per cleaning) or 40 cleanings in an assumed average 7.25 hour work shift. The report then states a maximum, though not observed, productivity of 45 cleanings per shift (9.67 minutes per cleaning). Cemusa assumes that the higher range may be acknowledgement that their single August 24, 2011 observation of 40 cleanings per shift was not representative. Regardless, we state that the 45 cleanings per shift is still not representative of actual performance.

If Cemusa were to accept the 7.25 hour work shift assumed by the auditors, we must then provide for 6,432 cleanings per week ($3,216 \times 2$) or 8.79 minutes per cleaning. The actual average performance is 8.5 minutes or less. That represents an actual average performance of 51+ cleanings per shift and this is reflected as an expectation on the route sheets.

We therefore believe that Dynaserv's planning and actual performance satisfies the requirements of the franchise agreement.

Audit Recommendation: Ensure that Dynaserv allocates sufficient resources to provide assurance that all required cleanings are performed. This should include sufficient staffing needed to cover holiday weeks, vacation schedules, and other scheduled days off.

The audit report indicates a cleaning productivity range of 40-45 cleanings/shift/person.

If Cemusa were to accept the assumption about a work day consisting of 7.25 hours, the estimated productivity of 40 to 45 shelters per shift does not yield the stated 2,480 to 2,790 shelters cleaned. It yields 2,600 to 2,925 shelters cleaned ($(40-45 \text{ cleanings} \times 5 \text{ shifts} \times 26 \text{ people})/2$).

And if Cemusa were to then use the high range of the auditor estimate, 45 cleanings/shift or 2,925 shelters, a difference of 291 shelters or 582 cleanings is obtained ($3,216 - 2,925$). It is not the 852 cleanings as stated. 582 cleanings at 45 cleanings per shift yields 13 shifts (or 104 hours) of additional "catch up" cleanings. Clearly this could be accomplished with overtime and/or a limited weekend effort.

To be clear, Cemusa does not accept the 45 cleanings per shift estimate. However, in the unlikely scenario that a 45 cleaning performance were to occur for all employees, for every shift, for an entire week, the numbers indicate that this can still be overcome. There are also six trained persons on call who are utilized to fill in for unexpected labor shortages. This group consists of three persons for day shift and three for night shift.

Using the actual average performance of less than 8.5 minutes per cleaning, the capability to perform cleanings on more than 3,300 shelters is in place, with backup resources available.

Cemusa believes that sufficient resources are provided to satisfy the requirements of the franchise agreement.

Audit Recommendation: Ensure that shelter exterior roof panels are regularly cleaned.

The observation on roof cleaning was formally related by the auditors to Cemusa on December 21, 2011. However, it should be noted that the frequency of roof cleaning was adjusted immediately subsequent to the field observation on August 24, 2011. It remains as such today.

Audit Recommendation: Require that shelters regularly serviced during the day be periodically serviced or inspected during night hours to ensure lighting outages will be identified promptly and corrected.

Dynaserv will be initiating regularly scheduled illumination inspections beginning July 1, 2012 that will yield 100% coverage over a three month period. The results of these inspections will be used to direct timely corrective action.

Audit Recommendation: Require that Dynaserv submit payroll records, rosters, and vehicle logs along with route control forms with their monthly billings. These documents should be reviewed as least on a sample basis to provide assurance that shelters are being cleaned as reported and billed.

Dynaserv has already been informed of the Cemusa requirement to provide cleaning route sheets, vehicle logs, and sign in sheets. Cemusa will select record sets to analyze and obtain the associated payroll information which validates the actual paid employees. Cemusa will then analyze these records to confirm and assure the required cleaning performance. The frequency of audits will be established and adjusted based on the audit results.

Audit Recommendation: Increase frequency of Cemusa field supervisors' inspections of bus stop shelters. Subsequently, the results of such inspections should be analyzed as a means to independently evaluate subcontractors' performance.

Cemusa is presently defining the resources and accountability for field inspections, and will implement regularly scheduled inspections to independently and adequately evaluate the cleaning performance of our subcontractor, Dynaserv.

Audit Recommendation: Establish benchmarks or performance standards to more appropriately measure and assess its subcontractors' performance on a monthly basis.

As noted in the response above, the Quality Program has had a clear goal of zero defects since its inception. Establishing a lower performance benchmark is neither desirable nor supportive of the program objectives.

Audit Recommendation: Develop a more formal and proactive strategy along with associated procedures to provide for stronger oversight and continuous monitoring of its subcontractors to ensure that they are meeting their contractual obligations to support and ensure that Cemusa is compliant with its obligations under the franchise agreement.

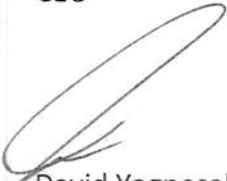
Cemusa will strengthen its proactive oversight and monitoring of its contractors by developing a formalized set of procedures.

Thank you again for your efforts and insights.

Sincerely,



Carlos Pujol
CEO



David Yagnesak
VP Operations