

**Arizona State University
Office of University Audits
Strategic Partnership - Olympus
February 28, 2019**

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Strategic Partnership – Olympus
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Summary: The Strategic Partnership audit was included in the Arizona State University (ASU) FY 2019 audit plan approved by the Arizona Board of Regents (ABOR) Audit Committee and ASU senior leadership. The audit focused on the Olympus agreement (third party utilized for custodial services) including compliance with contractual terms and achievement of underlying business process to ensure the intended objectives are met through the partnership. This audit is in support of ASU’s mission of effective management of financial resources and focus on efficient operations at all levels of the university.

Background: ASU entered into a multi-year contract with Olympus to provide custodial services across the campuses in November 2014. The agreement includes custodial services and supplies for the buildings specified in the contract and generally requires Olympus to maintain space at a modified APPA level 2: Ordinary Tidiness, some spaces require APPA level 1: Orderly Spotlessness.

APPA, an Educational Facilities association, is a widely recognized association that defines industry standard definitions and metrics associated with custodial services among other things.

| APPA Level of Cleanliness | Definition |
|--|---|
| Level 1: Orderly Spotlessness | Floors and base moldings are bright and clean; colors are fresh. Vertical and horizontal surfaces look freshly cleaned and polished. No build-up in corners. The lights work and the fixtures are clean. Washroom, show fixtures and titles gleam. Adequate cleaning supplies are on hand. Trash containers contain only daily waste. |
| Level 2: Ordinary Tidiness | Virtually the same as level one, but there may be up to two days of dust, dirt, stains or streaks. |
| Level 3: Casual Inattention | Floors are swept or vacuumed clean, but close observation may reveal stains and dirt build-up may be apparent in corners and along walls. In addition, there may be dull spots, matted carpet and streaks on base molding. Vertical and horizontal surfaces have dust, dirt, marks, smudges, and fingerprints. Lamps work and fixtures are clean. Trash containers have daily waste only. |
| Level 4: Moderate Dinginess | Floors are swept and vacuumed clean but may be stained. Dirt buildup is evident. Carpets show paths of use. Molding is dirty. Surfaces are obviously dusty and dirty. Trash contains have old trash and may give off a sour smell. |
| Level 5: Unkempt Neglect | Dull, dirty scuffed floors and carpets. The corners and base moldings are obviously dirty. Dirt has accumulated on all vertical and horizontal surfaces. Light fixtures are dirty and some lamps are burned out. Trash containers are overflowing and begun to smell. |

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Olympus is responsible for custodial services for more than 11 million cleanable square footage across the campuses. The terms of the contract address many aspects of operations such as expected performance for specific space, unique requirements and staffing at each campus, quality control, and the work order system among others.

Facilities Management and Olympus have implemented a team structure to manage and coordinate custodial services across the four campuses. Specifically, ASU has implemented an overall contract administrator who is supported by a site director at each campus location. These individuals work directly with the Olympus regional director and designated campus project manager to ensure custodial services are maintained at appropriate levels across the university. In addition, Facilities Management has also recently expanded a custodial/building liaison program to ensure the campus community is appropriately involved and understands the service requirements of the Olympus agreement.

Audit Objective: The objective of this engagement was to assess compliance with key contractual requirements associated with the agreement, in addition to underlying business processes to ensure the expected objectives and goals are met through the partnership. Specifically, the following reviews were included:

- Assess the adequacy of oversight of custodial services by Facilities Management to ensure overall performance objectives are met
- Assess compliance to required safety training courses by Olympus employees
- Assess compliance with contractual terms and related ASU policies
- Ensure payments are authorized and made in accordance with the terms of the agreement, and
- Identify opportunities for improvement

Scope: The scope of the audit focused on the period of July 2017 through September 2018.

As part of a 2018 audit focused on lab safety, an issue was noted that Facilities Management had not implemented appropriate oversight to ensure Olympus staff was completing required safety training. We were unable to assess if Olympus had put in appropriate controls to ensure training compliance as part of this audit as remediation actions were still in process. In addition, Facilities Management had not yet implemented appropriate oversight of this area.

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In addition, physical security as it relates to ISAAC and key access were not assessed as part of this audit as these processes were covered in other reviews recently completed.

Methodology: Our audit consisted of tests of procedures necessary to provide a reasonable basis for expressing our opinion. Specifically, audit work consisted of interviews with the Facilities Management, Residential Life, Parking and Transit Services and Olympus, observation of work processes, review of documented policies, and procedures and substantive tests including the following areas:

- Assessing Facility Management’s general oversight of the Olympus agreement through the following:
 - Assessing processes over contract management and invoicing processes.
 - Reviewing agendas and meeting notes of the regular meetings amongst Facilities Management, Olympus, and the custodial liaisons for the university.
 - Assessing processes to ensure required safety training is completed.
 - Assessing oversight procedures for specific areas called out in the agreement including equipment management, staffing levels, internal quality inspections, and external inspections.
 - Conducting a survey of custodial and building liaisons to assess performance from the perspective of the university community.
- Creating a master-billing schedule from the building inventory of the contract and subsequent amendments to validate the completeness and reasonableness of the current in-contract invoicing.
- Comparing the porter and service responders required under the contract and subsequent amendments to current positions and building assignments.
- Validating 25 invoices covering both in-contract work and out-of-contract requests to ensure service was authorized, supported by the agreement or authorized service request, contained accurate pricing, and was appropriately billed.
- Examining one binder of safety data sheets at each campus to ensure binder was complete and current.
- Confirming background checks were performed prior to hire date for a sample of 25 Olympus employees.
- Confirming the current insurance coverage of Olympus to the minimum requirements under the contract.
- Assessing the effectiveness of the internal quality inspections through the following:
 - Assessing the building coverage, trends, consistency, scoring and duration of the inspections for completeness and reasonableness.

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- Reviewing the items and inspections identified as deficient and comparing to flagged inspections.
- Reviewing other third party quality control reviews for building coverage and comparing to the internal inspections by Olympus for reasonableness.
- Assessing the accuracy and completeness of incident tracking reporting through comparing requests in the WebTMA work order system to Olympus' system to determine the completeness and consistency of the tickets for the period July 2017 through September 2018.
- Validating the reporting of the quality control checks and the TMA ticket requests in the Quarterly Review reports

Conclusion: Overall, Facilities Management has implemented adequate controls and processes to ensure that ASU campuses are maintained at the defined service levels. They have implemented an effective management structure to ensure adequate staffing at each of the four campuses to maintain contracted services, have the ability to address issues and deficiencies in a timely manner, and have established a collaborative approach with Olympus to build in the necessary flexibility related to a service agreement of this magnitude. Further improvement and development of Facilities Management oversight of the agreement is necessary to ensure ongoing compliance to expected performance levels including quality inspections and incident reporting and to establish an appropriate awareness of the agreement structure and related staffing levels across the university. In addition, several areas were identified that require action to ensure financial, operational, and safety provisions of the agreement are met.

Specifically, contract management and fiscal oversight processes require improvement. As part of this review, it was noted that material modifications have been made to the contract both from a schedule and fee perspective; however, these have not been incorporated consistently into the overall agreement and related amendments. The impact of this is further compounded by the lack of central oversight around contracting additional services and the lack of central oversight over monthly billing and invoicing. While no material billing errors were identified in testing, the lack of central oversight introduces significant risk of incorrect invoicing. In addition, Olympus did not meet the minimum insurance requirements of the agreement; they did not have Professional Liability Insurance nor the required waivers of subrogation as required by the contract. This was addressed during the audit.

It was also noted that the current agreement with Olympus does not require that their employees clear a background check prior to working on ASU campuses. Although Olympus communicated this is part of their standard business, it is not currently required

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contractually. Additional oversight is also required to ensure Olympus is compliant with required safety training and Safety Data Sheet (SDS) management.

The control standards University Audit considered during this audit and the status of the related control environment are provided in the following table.

| General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.) | Control Environment | Finding No. | Page No. |
|--|--|--------------------|-----------------|
| Reliability and Integrity of Financial and Operational Information | | | |
| <ul style="list-style-type: none"> The Olympus agreement represents the current state of services and fees schedules in place. | Opportunity for Improvement | 1, 2 | 8,9 |
| <ul style="list-style-type: none"> Payments to Olympus are accurate and in compliance with defined contractual provisions. | Reasonable to Strong Controls in Place | N/A | N/A |
| <ul style="list-style-type: none"> Payments related to the Olympus agreement are approved based on defined university policies. | Reasonable to Strong Controls in Place | N/A | N/A |
| Effectiveness and Efficiency of Operations | | | |
| <ul style="list-style-type: none"> Olympus is generally meeting the required performance expectations based on the existing agreement. | Reasonable to Strong Controls in Place | N/A | N/A |
| <ul style="list-style-type: none"> Facilities Management has appropriate oversight of the Olympus agreement. | Opportunity for Improvement | Various | Various |
| <ul style="list-style-type: none"> Quality inspections ensure performance levels are achieved. | Opportunity for Improvement | 6 | 12 |
| <ul style="list-style-type: none"> Incident requests are managed in a timely and effective manner. | Opportunity for Improvement | 7 | 14 |
| <ul style="list-style-type: none"> Required safety training is completed annually by Olympus employees. | Opportunity for Improvement | N/A | N/A |
| Safeguarding of Assets | Not Applicable | N/A | N/A |
| <ul style="list-style-type: none"> Olympus secured required insurance as defined by the agreement. | Opportunity for Improvement | 3 | 10 |
| <ul style="list-style-type: none"> Olympus employees complete a comprehensive background check prior to working on ASU campuses. | Opportunity for Improvement | 4 | 11 |
| Compliance with Laws and Regulations | | | |
| <ul style="list-style-type: none"> Safety Data Sheet binders are complete and current. | Opportunity for Improvement | 5 | 11 |

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We appreciate the assistance of Facilities Management during the audit.

Lisa Grace, Executive Director, University Audit and Advisory Services

Sadie Petterson, Assistant Director, University Audit and Advisory Services

Audit Results, Recommendations, and Responses

1. Material modifications to the contract with Olympus have not consistently been documented through contract amendments.

Condition: Facilities Management has not consistently initiated contract amendments when material modifications to the existing contract have been made. As a result, the current agreement (including related amendments) is not an accurate representation of contracted services and related compensation. Examples of this include the addition and removal of buildings for custodial service, significant adjustments to cleaning schedules, changes to third party inspection frequency, and specific staffing such as porter services at a building level.

Criteria: Contracts and related amendments should be an accurate representation of the agreement between two parties to ensure a clear understanding of responsibilities and related compensation.

Cause: Informal management of the agreement has resulted in material changes in services and related fee schedules as well as additions and removals of specific buildings from the scope of work without executing amendments. This is further complicated by multiple individuals making changes to service across the four campuses without central coordination.

Effect: The existing agreement does not reflect the current scope of services provided by Olympus and the associated costs. As a result, neither the contract administrator nor the site directors at each of the campuses have full visibility into the existing scope of services that is necessary to ensure appropriate performance and invoicing. The risk associated with this was mitigated in part with the Workday implementation and related PO processes.

Recommendation: Facilities Management should work with Procurement to clearly define what requires a formal contract amendment and execute necessary amendments to ensure the agreement represents the current service and associated fees. Subsequent changes to the scope of work should require Facilities Management involvement and approval to ensure adequate oversight of both performance and financial aspects of the relationship.

In addition, Facilities Management should update the existing intranet site that is available to represent a current view of contracted service. This site was initially created to provide visibility of established service levels to the campus community; however, has not been

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maintained. This would provide additional guidance to colleges and business units on what is already contracted and what constitutes an out-of-contract service request.

Management Response: The Facilities Management team concurs with the finding and has changed the operating procedures to reflect the need to document all significant changes to the contract. For the next contract, we are working with Purchasing to establish a task order system that will properly document all changes to services provided along with identifying costs per building serviced.

2. Management of invoicing related to the Olympus contract requires further improvement.

Condition: Payments to Olympus are handled in a decentralized manner with no oversight of total spend to ensure expenses are appropriate. Invoices are transactional in nature and are processed through multiple groups including the contract administrator, site directors, colleges, and business units. While our review indicated that overall payments appear to be materially accurate, multiple exceptions were noted including duplicate invoicing, inconsistent pricing for services, and supplies being billed inappropriately.

In addition, although Facilities Management owns managing the agreement with Olympus, at times colleges and business units will contract directly with Olympus without involving Facilities Management.

Criteria: For a significant contract such as that with Olympus, there should be centralized oversight of invoicing to reduce the risk of overpayment by the university.

Cause: The existing process to manage invoicing from Olympus is decentralized across the university and is transactional in nature; Olympus does not provide summarized or consolidated reporting related to invoicing activity.

Effect: There is no comprehensive review of monthly invoices to ensure invoicing is complete and accurate. This is further compounded by both the informal approach on executing amendments for changes in services as well as the current practice for colleges and business units to contract with Olympus without the involvement or awareness of Facilities Management. While no material variances were detected in testing, this lack of central oversight has resulted in significant risk of incorrect invoicing.

Recommendation: Facilities Management should implement a centralized process where all invoices related to Olympus are submitted through their office. This will allow a

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comprehensive view into all activity to ensure both in-contract work and out-of-contract services are appropriate and align with contractual terms. This will also provide visibility into services that warrant an amendment or opportunities for consolidating services.

In addition, out-of-contract services should not be scheduled without an approved WebTMA request authorizing the service. While this is the current process, it is not consistently followed.

Management Response: This process will be completely revised by the Task Order system proposed for the next contract. In the interim, a consolidation of invoices is being initiated.

3. Olympus did not meet the insurance requirements as defined in the contract.

Condition: At the time of this review, Olympus did not have Professional Liability Insurance nor the waivers of subrogation for the automobile and workers compensation insurance as required under the terms of the contract. This lapse was addressed by Olympus immediately upon us communicating the missing insurance.

Criteria: Section 3.29 A. of the contract specifies the minimum requirements for insurance consisting of multiple coverage types and endorsements. The university must approve any modifications to the minimum requirements. Insurance coverage is required to protect both the university and the vendor in the case of a loss.

Cause: The lack of insurance was not detected by Procurement at the time the original contract was executed in error. Future reviews of Certifications of Insurance were based on what was in place at time of the initial contract so was also not detected in subsequent reviews. The existing processes are manual and dependent on initial verification to be complete and accurate.

Effect: Insurance coverage is required to protect both the university and the vendor in the case of loss. ASU had increased exposure during the period the required insurance was not in place.

Recommendation: This issue was addressed by Olympus immediately upon us communicating the missing insurance. In addition, based on discussions with the Procurement group, they are currently in the process of reviewing oversight processes around Certificates of Insurance with the intent of formalizing expectations in this area.

Management Response: Olympus obtained the required insurance, which was verified by the Procurement team. No further action required by Olympus on this item.

4. The existing agreement with Olympus does not require that their employees clear a background check prior to working on ASU campuses.

Condition: The existing agreement with Olympus does not require Olympus to perform background checks on employees working at ASU. Although Olympus has implemented background checks as part of their standard business procedures, it is not a requirement of the existing agreement.

Criteria: To protect the campus community and its assets, it is important to ensure that individuals with certain access have no history of criminal behavior relevant to their employment. According to Olympus, all employees are required to complete a comprehensive background check before an offer is extended.

Cause: This requirement was not included in the initial agreement executed in 2014. It is now considered a standard part of terms and conditions for ASU agreements; however, was not at the time the initial agreement was initiated.

Effect: Background checks are not contractually required increasing potential risk to the campus community and its assets.

Recommendation: ASU should execute an amendment to require background checks prior to working on ASU property. In addition, Facilities Management should implement oversight and monitoring over this area including regular compliance auditing to ensure Olympus is performing the control as intended.

Management Response: Olympus has verbally agreed to a no cost modification requiring annual background checks of its entire work force. The official modification is being processed now.

5. SDSs are out-of-date or missing and the campuses do not have separate master lists for the inventory of chemicals.

Condition: SDS are maintained by Olympus at the campuses; however, this is not being done in a timely and complete manner. In addition, Olympus has not maintained a separate master chemical list for each campus although different chemicals are used at each location based on the specific needs of the campus. Testing identified a significant number of missing or dated SDSs at each of the campuses. Collectively, of the four binders tested, 47% of the required SDS were either dated (10%) or missing (37%). It

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was also noted that binders are not maintained in alphabetical order as recommended by ASU's Environmental Health and Safety department.

Criteria: In alignment with OSHA regulations, section 2.2.1 of the contract specifies that Olympus follow certain policies in the purchase, storage, and use of chemicals, which includes maintaining up-to-date SDSs. OSHA regulations further require employers to maintain a list or inventory of all hazardous chemicals in the workplace as part of their hazardous communication program.

Cause: The processes for replacing SDSs with new versions and for tracking the hazardous chemicals used at each campus are informal and inconsistent. Olympus indicated that reviews of SDSs are performed at each campus on an annual basis; however these reviews are not documented nor are they effective based on the results of our testing. There is currently no oversight in this area by Facilities Management.

Effect: Olympus is not maintaining the SDSs or the list of hazardous chemicals in accordance with the contract and OSHA regulations, which puts the employees of the company and the university at risk in the event an incident occurs.

Recommendation: Olympus should prepare separate lists or inventories of all the hazardous chemicals at each of the campus and perform a comprehensive review of the SDSs to ensure all binders are complete and current. Testing involved assessing one binder at each campus, remediation actions will need to be applied to the full population of binders. The initial and subsequent reviews should be documented for reference, and copies provided to the contract administrator and site directors at each campus.

Additionally, Olympus should evaluate the processes for updating the SDSs in the binders and consider organizing the sheets alphabetically for immediate access by employees. The hazard communication program at the university requires the SDSs to be maintained in alphabetical order.

Management Response: Olympus is making the necessary changes as stipulated in the recommendation and FM will do periodic inspections to ensure compliance.

6. The existing inspection processes related to Olympus performance requires improvement.

Condition: Olympus is responsible for performing internal quality inspections in addition to coordinating external third party quality reviews. While both are occurring, they are not necessarily achieving the overall goal of improved performance.

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Olympus is responsible for scheduling and coordinating the external third party quality control reviews including determining the timing and specific routes included in the review. This level of direction affects the independence and validity of the third party assessment.

Olympus implemented OrangeQC software in 2017 to facilitate the internal quality inspections. Review of this system and related inspection processes resulted in the following observations:

- Olympus's Quality Assurance Coordinator spends the majority of time performing inspections rather than focusing on the overall quality assurance program for Olympus including addressing overall process issues that are identified as part of the inspections.
- By design, project managers, supervisors, and assistant supervisors also perform inspections of the areas they manage. As a result, inspection results may not be objective.
- The number of inspections increased significantly from Q4 2017 to Q3 2018 without corresponding changes to the process or additional resources being allocated to the process. As a result, the duration of inspections (time took to perform the inspection) decreased by 49% for the same period.
 - In Q4 2017, the average duration of inspections was 2:20 minutes, with 24% of the inspections being recorded at 30 seconds or less
 - In Q3 2018, the average duration of inspections was 1:12 minutes, with 49% of the inspections being recorded at 30 seconds or less
- Olympus changed their rating approach in August 2018, which affected when items are automatically deemed deficient. Additionally, inspections deemed deficient (one or more items in the inspection deemed deficient with an APPA III – 82% or lower or failure) do not necessarily result in incident tickets being created to track the deficiency to resolution.
 - Analysis of September 2018 inspection data identified 226 (57%) deficiencies that were not flagged as having a ticket created. As a result, there would not be visibility to these deficiencies in the incident tracking nor in the quarterly reporting made related to deficient inspections.
- While a high volume of internal inspections are performed, there is limited review or analysis performed of the data collected outside of reporting counts and average scores.

Criteria: Section 2.1.11 of the contract specifies that Olympus will provide internal quality inspections and independent third party quality control reviews for each campus.

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Cause: For internal quality reviews, there appears to be a lack of understanding on the tool being utilized and the different data elements. This combined with the significant increase in volume and the significant decrease in inspection duration time suggests internal inspections may not be being done at an acceptable level of detail. In addition, while there is a high volume of inspections performed across all of the campuses, there have been limited processes put into place to review and analyze results to identify performance trending, potential problem areas, or recurring problems by either Facilities Management or Olympus.

Effect: The internal inspections and third party reviews may not be achieving the intended result of increasing overall performance of Olympus service across the university.

Recommendation: Facilities Management should implement oversight of the internal quality reviews to ensure the desired results are being achieved. This should include reviewing the overall results and trends to identify potential problem areas or recurring issues as well as to ensure the results are in-line with overall performance and feedback received across the various colleges and business units. In addition, it is recommended that the contract administrator and site directors periodically accompany the inspectors to assess the overall process including who is performing the inspections, their approach and priorities as well as review the inspection results for reasonableness in comparison to the WebTMA (ticketing system used to track all incidents related to the Olympus agreement) incidents.

Facilities Management should also assume responsibility and management of third party quality assessments being performed to ensure the assessments remain independent and objective.

Management Response: Facilities Management is leveraging its entire workforce to ensure that Olympus is being held to the standards stipulated in the contract. Significant changes to the inspection system will be proposed in the new contract solicitation where ASU will directly employ and/or contract for Quality Assurance services.

7. Incident tickets are managed using two different systems resulting in neither ASU nor Olympus having full visibility into all reported incidents.

Condition: Facilities Management and Olympus have coordinated employees and processes for the university community to report incidents related to custodial service and related tracking; however, information is captured in two systems resulting in an

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incomplete view of overall incidents in both systems. Olympus uses an internally developed access database to manage incidents while ASU utilizes WebTMA.

In many cases, the incident information is maintained in both systems resulting in inefficiencies for both Olympus and ASU as well as inconsistent data. Testing identified the following types of data integrity issues between the two systems:

- Requests received directly by Olympus through email, phone, or in person may be entered into the Olympus system but not WebTMA
- Not all incidents initiated through WebTMA are entered into Olympus's system; Residential Life related incidents (RFMT) are not entered into Olympus systems even when they relate to Olympus' areas of responsibility. In addition, various other exceptions were noted where tickets that originated in WebTMA were missing from the Olympus system.
- Duplicate ticket numbers from WebTMA were assigned to separate service call tickets in the Olympus system.
- There were WebTMA tickets identified in the Olympus system that were resolved by Olympus; however, were classified as other trades in WebTMA.
- The status and open/close dates vary between the two systems at times. This prevented being able to assess if incidents are resolved in a timely manner.
- The field in the Olympus system representing the WebTMA ticket number is not consistently used. Invalid values included names, times, multiple ticket numbers, and ticket numbers with missing or extra digits.

Reporting related to performance and SLA achievement is based on the data in the Olympus system. As a result, this reporting is incomplete. Reporting is limited to counts and does not include analysis of data from either system to identify trends, days to resolve, recurring issues, or incidents that are not covered by existing service levels that may require additional training or action.

Criteria: Section 2.1.10 of the contract specifies that all requests for services and trouble calls be entered in the WebTMA work order system.

Cause: Initially, Olympus did not have access to WebTMA resulting in maintaining the data in two applications. As of February 2018, Olympus has been given access; however, has continued to utilize their internal application rather than consolidating all incidents into WebTMA.

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Effect: In addition to the inefficiencies of maintaining two systems for the same data, neither Olympus nor ASU has a systematic way to assess all incidents for the university. Tracking and reporting is performed in both systems with each being incomplete resulting in the contract administrator and site directors not having full visibility to issues around the campuses or to the range of services provided by Olympus.

Recommendation: Facilities Management and Olympus should evaluate the systems to identify where process changes are needed so that all requests for services and trouble calls are entered and managed in the WebTMA. If there is a need for the databases for other purposes, formalized guidance should be developed to distinguish between the processes, requests, and reporting for each system.

Facilities Management should also implement reporting and analysis of incidents to identify recurring issues and other areas that may require additional action or education for Olympus employees or the ASU community.

Management Response: We are in the process of reviewing the current system and creating a best management practice solution. Any agreed upon solution will be documented in a modification to the contract.

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