

State of Rhode Island and Providence Plantations

Department of Administration
BUREAU OF AUDITS
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June 17, 2015

Mr. Marco Schiappa
Associate Director
Facilities Management
Department of Administration
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Providence, RI 02908

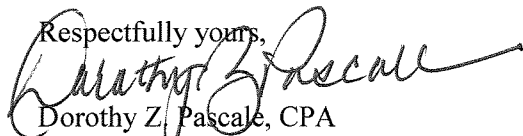
Dear Mr. Schiappa:

The Bureau of Audits has completed its audit of the State-Owned and Leased Property Survey legislative mandate. The audit was conducted in accordance with Rhode Island General Law (RIGL) §35-7-3.

Rhode Island General Law §35-7-3(b), entitled *Audits performed by bureau of audits*, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on June 12, 2015, and such response is included in this report. Pursuant to this statute, the Bureau may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff of the Senate Fiscal Office and the Department of Administration, Divisions of Facilities Management and Capital Projects and Property Management, for their cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,


Dorothy Z. Pascale, CPA
Chief

c—Internal Audit Advisory Group

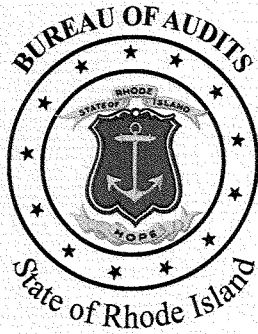
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance

Honorable Raymond Gallison, Chairperson, House Finance Committee

Dennis Hoyle, CPA, Auditor General

Namvar Moghadam, Associate Director, Division of Capital Projects and Property Management

John Ryan, Deputy Chief, Division of Capital Projects and Property Management



Why the Bureau Did This Review

The Bureau of Audits (Bureau) conducted an audit of the Rhode Island General Laws 42-11-2(27)(a) and (b). This legislative mandate was selected as part of our annual risk assessment and audit plan. The purpose of this engagement was to determine compliance with the requirements of the statute.

Background Information

The reporting requirement responsibility was assigned by former Director Steven Hartford to the Capital Projects and Property Management Division.

On October 31, 2014, the Office of Management and Budget submitted to the General Assembly the annual report for leases and properties. This report included Department of Administration properties and leases with descriptive details and a strategic plan for leases expiring or commencing on June 30, 2016. The final section of the submitted report includes a space consolidation, lease payments saving plan.

AUDIT EXECUTIVE SUMMARY

RIGL 42-11-2 (27)(a) states that the Department of Administration prepare a report every three (3) months of all current property leases or rentals by any State or Quasi-State agency.

RIGL 42-11-2 (27)(b) mandates the Department of Administration prepare and submit an annual report of all State-owned properties, and current property leases or rentals by a State or Quasi-State agency by October 31 of each year.

The Department of Administration (DOA) did not file quarterly reports. The annual report could be improved by including:

- Ratio and listing of buildings owned by the State versus leased properties.
- Total capital expenditures with total occupancy costs.
- A map as required in section (xiii).
- Quasi-State agencies' leases.

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Introduction

As part of the Bureau of Audits FY 2015 annual risk assessment and audit plan, we performed a compliance audit of the RIGL 42-11-2(27)(a) and (b), legislative mandates which require the Department of Administration (DOA) to report:

- Current property leases by any State or Quasi-Public agency every three months
- Property owned by the State or leased by any State or Quasi-State agency annually on or before October 31

DOA then-Director Hartford assigned the reporting responsibility to the Capital Projects and Property Management Division. The Office of Management and Budget (OMB) submitted the annual leased and owned properties report on behalf of DOA to the House and Senate Finance Committees on October 31, 2014. This report included DOA properties and leases with descriptive details, and a strategic plan for leases expiring or commencing on June 30, 2016. The final section of the submitted report includes a space consolidation, lease payments saving plan.

Recommendations for Improved Reporting and Compliance

Include all mandated agencies and Quasi-State entities in reports

RIGL 42-11-2(27)(a) and (b) require the DOA to report all State and Quasi-Public leased and owned property to the House and Senate Fiscal Committees on a quarterly and annual basis. DOA, Division of Capital Projects and Property Management, obtained data for leased property, and the DOA, Division of Facilities Management, obtained data for State-owned properties by providing agencies a self-survey, or by obtaining data from the DOA Property Management data base. Quasi-State agencies were not surveyed; therefore, their information was not included.

During our review, we queried the Quasi-State agencies to determine the reporting status. The following Quasi-State agencies do not meet the criteria to report at this time. These agencies should be reevaluated annually.

Capital Center Commission
I-195 Redevelopment District Commission
Quonset Development Corporation
Rhode Island Convention Center Authority
Rhode Island Health and Educational Building Corporation
Rhode Island Industrial-Recreational Building Authority
Rhode Island Resource Recovery Corporation
Rhode Island Small Business Loan Fund Corporation
Rhode Island Tobacco Settlement Financing Corporation

The following Quasi-State agencies are now providing information to DOA, Property Management Division, for future reports.

Narragansett Bay Commission
Rhode Island Airport Corporation
Rhode Island Clean Water Finance Agency
Rhode Island Higher Education Assistance Authority
Rhode Island Housing and Mortgage Finance Corp
Rhode Island Industrial Facilities Corporation
Rhode Island Public Transit Authority
Rhode Island Student Loan Authority
Rhode Island Turnpike and Bridge Authority
Rhode Island Water Resources Board

Recommendation:

1. Include all Quasi-State agencies' leased property information in the next quarterly report and thereafter.

Management's Response:

All Quasi-State agency leased property information shall be included in the next quarterly report and thereafter

Responsible Party:

John Ryan (DOA)

Estimated Completion Date:

Completed 6-12-2015

Ensure all components of reporting requirements are included and the report is timely submitted

Quarterly Reporting Requirements

According to RIGL 42-11-2-27(a), current property leases or rentals by any State or Quasi-State agency must include the following information:

- i. Name of lessor
- ii. Description of the lease (purpose, physical characteristics, and location)
- iii. Cost of the lease
- iv. Amount paid to date
- v. Date initiated
- vi. Date covered by the lease

Annual Reporting Requirements

According to RIGL 42-11-2-27(b), DOA must report by October 31, 2014, all current property owned by the State or leased by any State agency or Quasi-State agency and include the following information:

- i. Total square feet for each building or leased space
- ii. Total square feet for each building and space utilized as office space currently
- iii. Location of each building or leased space
- iv. Ratio and listing of buildings owned by the State versus leased
- v. Total occupancy costs which shall include capital expenses, provided a proxy should be provided to compare properties that are owned versus leased by showing capital expenses on owned properties as a per square foot cost at industry depreciation rates
- vi. Expiration dates of leases
- vii. Number of workstations per building or leased space
- viii. Total square feet divided by number of workstations
- ix. Total number of vacant workstations
- x. Percentage of vacant workstations versus total workstations available
- xi. Date when an action is required by the State to renew or terminate a lease
- xii. Strategic plan for leases commencing or expiring by June 30, 2016
- xiii. Map of all State buildings which provides: cost per square foot to maintain, total number of square feet, total operating cost, date each lease expires, number of persons per building, and total number of vacant seats per building
- xiv. Industry benchmark report which shall include total operating cost by full-time equivalent employee, total operating cost by square foot, and total square feet divided by full-time equivalent employee

During our review and discussion with management, the quarterly report for current property leases or rentals by State or Quasi-State agencies had not been provided to the General Assembly.

Our review of the October 31, 2014, annual report substantially complies with the legislative mandate. However, our audit disclosed that there are areas that require clarification or additional documentation to ensure full compliance. We noted the following deficiencies with the October 31, 2014, report:

- a) There was no map of the properties.
- b) The reports reviewed did not include a ratio of owned-to-lease properties.
- c) Information collection procedures do not indicate if capital expenditures are included in total cost.
- d) Total cost is not defined.

Failure to comply with all reporting requirements weakens the comprehensive statewide information necessary to maximize the management and effectiveness in the deployment of public resources.

Recommendations:

2. Include Quasi-State agencies lease information in all reports.
3. Compile and submit quarterly reports accurately and timely.
4. Ensure that all mandated reporting requirements are included in the annual report.
5. Provide guidance and define "total cost" to all reporting agencies.

Management's Response:

1. All Quasi-State Agency lease information will be included in all reports
2. Quarterly reports will be compiled in a timely manner.
3. All mandated reporting requirements will be included in the annual report
4. Guidance and definition of "total cost" will be provided to all reporting agencies

Responsible Party:

Delsie Longolucco (DOA)

Estimated Completion Date:

October 31, 2015

Objective, Scope and Methodology

Our objective was to determine compliance with the reporting mandate.

The audit team performed the following tasks to complete this audit.

- Gained an understanding of RIGL 42-11-2(27), et. al.
- Interviewed Divisions of Capital Projects and Property Management and Facilities Management personnel to gain an understanding of the reporting requirements.
- Reviewed the data collection process utilized by the Divisions of Capital Projects and Property Management and Facilities Management personnel.
- Obtained, reviewed, and evaluated report submitted.