OFFICE OF THE UTAH STATE AUDITOR — AUDIT BRIEF

Audit Brief: ***A Performance Audit of State Buildings and Land***

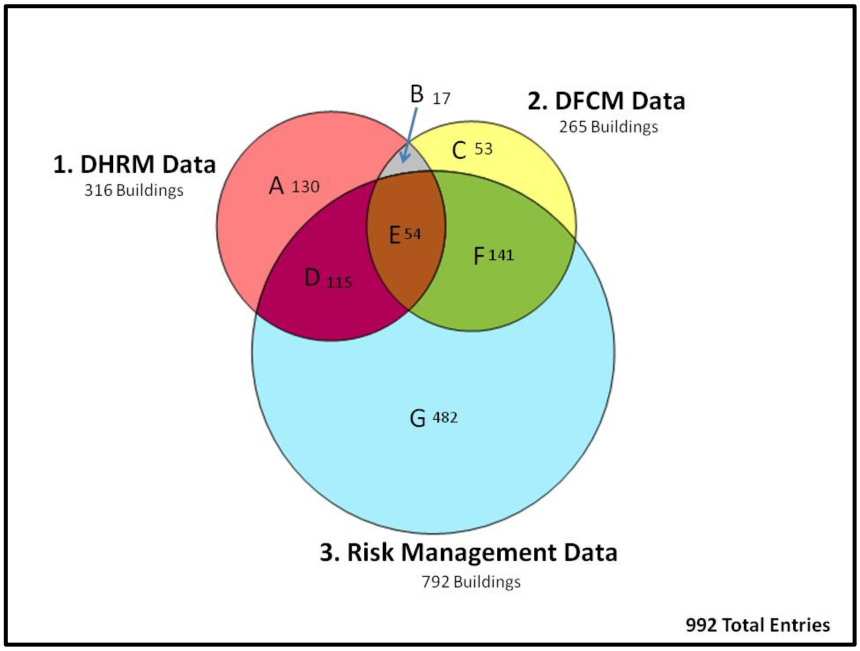
Report Identifies Significant Opportunities for the State to Improve the Management, Security and Oversight of State Buildings and Land

The Office of the Utah State Auditor has recently completed A *Performance Audit of State Buildings and Land* and has identified a number of risks to taxpayers as well as opportunities to reduce costs and improve oversight of these key state resources. Implementation of the recommendations found in this audit report will increase transparency and security of the state buildings, reduce state office costs, and improve state risk management.

A link to the complete audit report can be found at
http://financialreports.utah.gov/saoreports/2014/Audit14-01APerformanceAuditofStateBuildingsFINALStateofUtah.pdf

Finding 1: No Reliable Office Building Inventory Exists

The state's Department of Administrative Services (DAS) could enhance accountability to taxpayers by maintaining an accurate building inventory and properly insuring state-owned and state-leased buildings Neither the Division of Facilities Construction and Management (DFCM) nor the Division of Risk Management (Risk Management)—both divisions of DAS—accurately account for buildings used by state entities, despite statutory obligations to do so. Furthermore, the state's Department of Human Resource Management, which maintains a list of state employees, does not accurately account for the physical location of those employees. The graphic shows the limited overlap of the existing inventories from these three state entities. The absence of a complete and accurate inventory limits the ability to conduct a thorough space utilization review.



- DFCM, Risk Management, and DHRM do not coordinate building inventories
- Lack of reliable office building data and accurate employee location information limited ability to review space utilization

We recommend that:

1. DFCM establish and maintain an accurate inventory of state-owned and state-leased buildings.
2. DFCM coordinate with Risk Management and DHRM to ensure that they account for all state-owned and state-leased office buildings that they oversee.
3. We recommend that Risk Management prorate annual insurance premiums for buildings that begin operation after July 1.

Finding 2: A Multi-State Agency Office Building Would Reduce Leases by $4.6 Million

The audit identified opportunities for the state to reduce the cost of offices for state agencies in Salt Lake County. The state could reduce annual lease payments by $4.6 million by consolidating 12 state agency leased offices into a state-owned multi-agency office building in Salt Lake County

- Consolidation of 12 leases in Salt Lake County would reduce lease costs

We recommend that:

1. The State Building Board consider prioritizing a multi-agency state office building to house state entities that currently lease space in or around Salt Lake County.

Finding 3: Undervalued Buildings Increase State Liabilities and Reduce Capital Improvement Funding

An important element of protecting the state's real estate asset belongs to Risk Management. It is the responsibility of Risk Management to provide internal insurance for state facilities. The audit found that state entities underinsure buildings by almost $200 million, increasing the state's liabilities and decreasing capital improvement funding. The audit recommends that state entities insure buildings at their replacement value.

- 197 buildings are underinsured by almost $200 million

Building	Insured Value	"Actual" Value	Difference	Insured Percent of Actual Value
Multi-Agency Office Building	$16,200,000	$59,000,000	$42,800,000	27.46%
Davis County Court Complex	$10,400,000	$23,500,000	$13,100,000	44.26%
Hickory Housing/CUCF	$9,100,000	$21,400,000	$12,300,000	42.52%
Commerce Park, Building #4	$7,000,000	$16,000,000	$9,000,000	43.75%
States Record Center-Clearfield	$5,000,000	$12,700,000	$7,700,000	39.37%
Gale Housing/CUCF	$7,900,000	$15,300,000	$7,400,000	51.63%
New St George Courthouse	$15,000,000	$21,700,000	$6,700,000	69.12%
Rampton I Adult Psychiatric Facility	$18,900,000	$25,100,000	$6,200,000	75.30%
Highland Center	$500,000	$6,600,000	$6,100,000	7.58%
D&RG Railroad Depot	$5,900,000	$11,500,000	$5,600,000	51.30%
Total	**$95,900,000**	**$212,800,000**	**$116,910,000**	**45.07%**

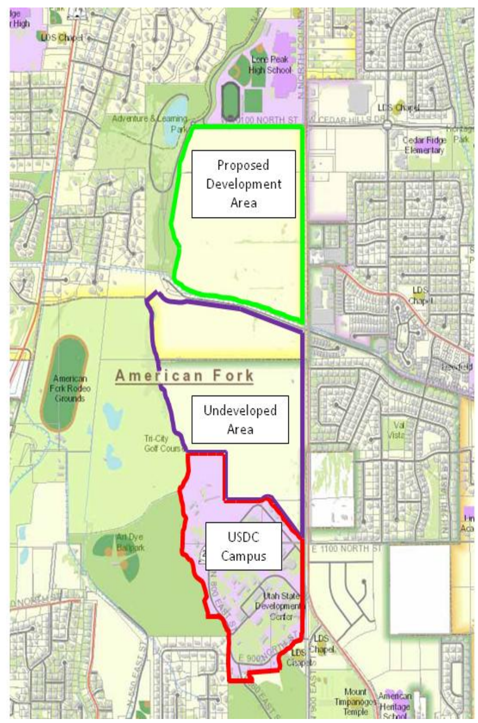
- The state is ultimately responsible for covering uninsured damages
- Risk Management does not deter agencies who choose to underinsure property
- Undervaluing buildings could lead to underfunding capital improvements

We recommend that:

1. The Legislature require state entities to insure their buildings based on their replacement cost, or receive a written exemption from Risk Management.
2. Risk Management charge state entities an appropriate coinsurance or other penalty on damages in excess of the insured value.
3. Risk Management provide the Legislature and the State Building Board with an accurate valuation of state buildings' replacement values in order to adequately and appropriately fund capital improvements.
4. Risk Management assess the valuations of all buildings whose current replacement value is the same as the buildings' square footage—or other buildings that clearly appear to be in error—to ensure the buildings are appropriately valued.

Finding 4: The Use of Vacant Land Could Benefit State and Local Entities

DFCM owns various plots of vacant land that could be used to benefit the state. For example, one of the largest commercially valuable plots along the Wasatch Front is a parcel of up to 280 acres in Utah County that is part of the Utah State Developmental Center (USDC). Approximately 200 of Utah's most vulnerable citizens reside at the USDC; however, the campus includes dilapidated buildings and infrastructure. One example of the poor condition of the USDC campus is a leaky hot-water piping system that loses approximately 6.1 million gallons of water per year and creates hazardous steam vents throughout the campus. Proceeds from the development of this land could significantly improve the USDC campus while reducing risks found in the antiquated buildings and infrastructure.



- Proceeds from undeveloped land in Utah County would benefit the USDC
  - USDC's leaky water pipes waste 6.1 million gallons of water per year
  - Steam vents are a safety hazard
  - 10 percent of USDC buildings are uninhabitable
- Use of parcels of land in Salt Lake, Weber, and Box Elder counties could benefit the state

We recommend that:

1. DSPD prepare and present a plan to the governor and Legislature for how the estimated proceeds from the development of land owned by the USDC would be used prior to finalizing development plans.
2. DSPD use revenue generated from land development to improve buildings and infrastructure on the USDC.
3. DSPD consider long-term building needs when prioritizing uses of proceeds generated from developing vacant land.
4. DFCM create a master plan for the use of the "white ball field" to best fulfill the needs of the state and its taxpayers.
5. DFCM prepare a plan for the use or sale of the 11.5 acres owned in Brigham City.
6. DFCM assess the value and potential uses of parcels of land it owns on the mountainside east of Ogden.
7. DFCM review the land records from each county in order to identify state-owned land and determine the best way to maximize the land's value to the state and its taxpayers.
8. DFCM establish and maintain an accurate inventory of state-owned land.

Finding 5: Unmonitored Building Access Threatens Capitol Security

As a final concern, the audit identifies that security in the Capitol Complex is not as robust as it should be. The in-depth study of two Capitol Complex entities' office space found that nearly 90 percent of all security cards gave access to non-entity persons, most of whom have unrestricted access to the office space 24 hours per day, seven days per week. Non-state employees, employees from other agencies, and terminated employees are among the groups of individuals who have unrestricted access to Capitol Hill agency office space. The Department of Public Safety (DPS) oversees security card access to employees and contractors as needed. However, state agencies bear final responsibility for who has access to their facilities in order to protect office and data security. It became clear that there is no consistent process for managing the list of people who have access to a given agency's space in the Capitol Complex and that both agencies and DPS need to put in place time limits and a review process for security access.

- 90 percent of cards authorized to access two agencies housed in the Capitol Complex are non-entity employees
    - DFCM, DTS, UHP, janitorial, and contractors all have 24/7 access to many Capitol Complex offices

We recommend that:

1. UHP obtain approval from an entity prior to granting group or individual access to the entity's office space.
2. All entities housed in the Capitol Complex review and update who should have access to their work space on a regular basis.
3. All entities housed in the Capitol Complex regularly review the need to grant non-entity persons 24/7 access to their office space.
4. All entities housed in the Capitol Complex report the termination of all electronic access cards to the UHP on the day of terminated employment.
5. All entities housed in the Capitol Complex determine which persons should be granted 24/7 access to their office space.
6. DFCM request individual electronic access cards from the UHP for contract employees rather than issuing generic, non-personalized access cards.
7. DFCM only grant contractors access to the doors needed to perform their duties, and during specific times of the day that would be appropriate for accomplishing their functions while protecting office security.
8. UHP allow only one active access card per Capitol Complex employee or approve written justification for multiple active access cards.
9. UHP deactivate an original access card whenever a new access card is issued.
10. UHP investigate tools that would allow for online review of access lists and access logs by state entities housed in the Capitol Complex.