

LEGISLATIVE AUDIT COMMISSION



Management Audit
Department of Central Management Services'
Administration of the State's Space Utilization Program

October 2013

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Springfield, Illinois 62706
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Management Audit

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RECOMMENDATIONS - 9

Background

The State Property Control Act (30 ILCS 605) names the Director of CMS as the administrator of the Act. The Act assigns several responsibilities to CMS.

- CMS shall maintain a master record of all items of real property. The record is to include a description of buildings and all improvements. Agencies are to report, on a monthly basis, any changes that would affect the master record.
- Agencies shall submit an Annual Real Property Utilization Report to CMS by July 31 of each year. CMS develops the reporting form which is to include a legal description of the real property, a description of its use, and a declaration of any surplus real property. By October 31, CMS is required to submit to the General Assembly a copy of each agency's report along with a list of surplus property.
- CMS shall dispose of all surplus real property held by the State. Surplus real property is defined as any real property owned by the State that is vacant, unoccupied, or unused and which has no foreseeable use by the owning agency. Any surplus property which is not transferred to another State agency shall be disposed of by CMS.
- By February 1, CMS shall submit an annual report to the Governor and General Assembly containing a detailed statement of surplus real property either transferred or conveyed.

Administrative Rules

The Illinois Administrative Code (44 Ill. Adm. Code 5000) further expands on CMS' duties related to the acquisition, management, and disposal of real property. The administrative rules state that CMS will:

- Lease space in privately owned buildings when space needs cannot be met in State-owned space or in other government-owned space;
- Establish standards and criteria for leased space and space assignment;
- Manage certain public buildings for the benefit of the State and assign space therein;
- Lease State-owned lands when not necessary for immediate State use;
- Acquire real property by voluntary conveyance from the public or other governmental bodies or when necessary by condemnation; and
- Dispose of real property no longer needed for State purposes.

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Leased space shall be acquired only when satisfactory State-owned or controlled space is not available. CMS will review State-owned space and space leased by other agencies which may be suitable to fill the agency space request. Such space, because it involves no outside expenditure or because use would avoid unnecessary lease costs, should be used in preference to newly acquired leased space.

In February 2004, the Office of the Auditor General released a management audit of CMS' administration of the State's space utilization program. The audit determinations in that resolution were virtually identical to the determinations in the current resolution. The 2004 audit found that:

- The State lacked an overall system to effectively manage real property;
- CMS did not maintain an accurate and complete inventory of real property, and
- CMS had no formal policies and procedures for ensuring that excess and surplus real property was reasonably considered when filling State agencies' space requests.

The audit contained nine recommendations. The purpose of this audit is to reassess CMS' administration of the State's space utilization program.

Report Conclusions

House Resolution Number 788 directed the Auditor General to conduct a management audit of the Department of Central Management Services' (CMS') administration of the State's space utilization program. The Office of the Auditor General previously released an audit of the State's space utilization program in February 2004. Auditors identified in the audit many deficiencies that were also issues in the 2004 report. The 2013 audit found that:

- CMS does not maintain a master record of all items of real property as required by State law. The State Property Control Act requires CMS to maintain a master record of all items of real property, including a description of buildings and improvements. The master record that was provided to us was incomplete, inaccurate, and had an insufficient level of detail.
- CMS has made no recent progress towards implementing a comprehensive computerized real property system.
- CMS was obtaining Annual Real Property Utilization Reports from State agencies only because the State Property Control Act required it. The reports were not being used by CMS to populate the master record of real property as they were intended.
- The procedures in place to identify excess and surplus real property were not fully adequate to ensure that all excess and surplus real property was being identified.
- CMS lease files tested lacked evidence of a check for the availability of State-owned space in 17 of 25 lease files (68%) and lacked evidence of a site visit in 6 of 25 lease files (24%).
- The process for disposing of surplus property was neither adequate nor timely. For the parcels where auditors could measure the elapsed time from the date declared surplus to the date of final disposition, the average time to dispose of surplus real property was

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1,656 days with a median of 911 days. This does not include the 14 properties that remain surplus which includes 8 properties that were surplus in 2005 or prior.

- CMS ignored properties reported as surplus by agencies on the Annual Real Property Utilization Reports and did not notify other agencies of the availability of that surplus property as required by State law.

In recent years, however, the State has made significant progress in reducing lease costs. According to data provided by CMS, since January 2009, lease costs have been reduced by \$55 million through leases that have been consolidated, renegotiated, or rebid. The reduction in lease costs was attributed to many factors including the work of CMS, the oversight provided by the Procurement Policy Board, and the reduction in the State's workforce. Additionally, holdover leases, which were first identified by Office of the Auditor General in a Compliance Examination, were eliminated.

Recommendations

1. **The Department of Central Management Services should compile and maintain a complete and accurate master record of all items of real property as required by State law. The master record should:**
 - **be compiled using the Annual Real Property Utilization Reports;**
 - **list all property by its commonly used site name;**
 - **include within each site name, a listing and description of all buildings at that site; and contain other descriptive information to make the master record useful.**

Findings: The State Property Control Act requires CMS to maintain a master record of all items of real property, including a description of buildings and improvements. Each responsible officer shall each month report to CMS all changes, additions, deletions and other transactions affecting the master record of real property. A responsible officer is defined by the Act to include: all elective State officers; directors of the executive code departments; presidents of universities and colleges; chairmen of executive boards, bureaus, and commissions; and all other officers in charge of the property of the State of Illinois. Real property is defined as all State-owned real property but does not include rights of way for State water resource and highway improvements.

Annual Real Property Utilization Report

The Act requires all responsible officers to submit an Annual Real Property Utilization Report to CMS by July 31 of each year. The reports must include at a minimum:

1. A legal description of all real property owned by the State under the control of the responsible officer;
2. A description of the use of the real property listed under (1);
3. A list of any improvements made to such real property during the previous year;

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4. The dates on which the State first acquired its interest in such real property, and the purchase price and source of the funds used to acquire the property;
5. Plans for the future use of currently unused real property; and
6. A declaration of any surplus real property.

CMS, working with a third party vendor, developed a computer spreadsheet template that agencies use to complete the Annual Real Property Utilization Reports. The template consists of two worksheets – Site Form A and Building Form A. The Site Form A worksheet lists all of the real property by site. For example, the DuQuoin State Fairgrounds is a single entry. The Building Form A worksheet lists all of the buildings for each property site. Each of the buildings at the DuQuoin State Fairgrounds would be listed on the Building Form A worksheet.

The Site Form A and Building Form A templates, first used in 2004, were pre-populated by CMS to include, for each agency, all of the agency's real property as was previously reported. The agency is responsible for adding new or missing real property, adding any missing information for the current entries, and suggesting changes to correct erroneous information. However, CMS does not make agencies' suggested corrections and does not send agencies updated templates for the following year's submission.

On or before October 31 of each year, CMS must submit copies of each agency's Annual Real Property Utilization Report to the General Assembly. CMS must also submit a list of surplus property indexed by legislative district. CMS must notify all State agencies by October 31 of all declared surplus real property. Any agency may then submit a request to have control of surplus real property transferred to that agency.

Analysis of the Master Record and the Annual Real Property Utilization Reports

There is a clear link between the Annual Real Property Utilization Reports and the Master Record. However, an examination of the master record shows that the Annual Real Property Utilization Reports are not being used by CMS to populate the master record.

Deficiencies in the Master Record

The master record of real property maintained by CMS contained several significant deficiencies. The deficiencies, discussed below, resulted in the inability to use the master record to identify excess and surplus real property.

- **Incomplete** – The master record did not contain all items of real property as required by State law. The master record contained only 1,789 entries – a fraction of the total items of real property owned by the State. For example, the master record contained only one of nine universities and was missing 33 of the 130 Illinois State Parks. The Annual Real Property Utilization Reports submitted by the agencies contained far more properties. Exhibit 2-2, shown later in the Chapter, compares entries on the master record to entries on the Annual Real Property Utilization Reports.

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- Inaccurate – Many of the entries on the master record were clearly inaccurate or raised questions about their accuracy. For example:
 - The Willard Ice Building was listed under the Department of Revenue on the master record but the Secretary of State holds the title per the Annual Real Property Utilization Report.
 - There were 12 entries for the Illinois Department of Transportation listed with the address “I-55” for the city of Hamel. All had an area of 144 square feet with the use listed as “Assembly/Stadium/Grandstand.” A search on the Annual Real Property Utilization Report indicated that these entries are likely picnic shelters at a rest area. However, the Annual Real Property Utilization Report contained 10 additional entries for the city of Hamel with buildings ranging in size from 247 square feet to 5,500 square feet.
 - There were eight entries all with the address “1500 Sullivan Rd” for the city of Aurora. All eight entries had the same building number. Seven of the entries listed CMS as the agency while one listed the Board of Higher Education. (A search for this address on the Annual Real Property Utilization Reports indicated that this property is the Illinois Math and Science Academy.)
- Insufficient Level of Detail – The master record did not contain sufficient detail to be able to identify the property listed. In comparison to the requirements in the State Property Control Act, the master record was lacking descriptive building information, therefore making proper identification difficult or impossible. Descriptive information helps identify the nature, use, and extent of real property holdings. However, the master record contained no building names or site names.
 - For instance, for the three examples under the previous bullet, the only descriptive information was the address. This was how auditors identified the Willard Ice Building as the building name does not appear in the master record. For the second example, it was unclear what the buildings or parcels of property were without further information.
- Was not compiled using Annual Real Property Utilization Report – As noted previously, the Annual Real Property Utilization Reports were intended to be the basis for the master record. However, other than submitting copies to the General Assembly, nothing is done with the Annual Real Property Utilization Reports. CMS does not compile the reports into what could be a comprehensive master record.

Response: The Department agrees with the recommendation. CMS will evaluate the cost-benefit of creating a database and also examine alternatives.

Updated Response: Accepted. BCCS (CMS data processing group) created a comprehensive database which can currently generate reports such as (state owned) "Gross square footage", "Total number of buildings", and "Building types". During system

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development CMS worked with the Office of the Auditor General to ensure the database complied with applicable statutes and also cross-referenced information with the Capital Development Board. Anticipated date for database to be fully operational is Dec. 31, 2014. Training for users will take place in January.

- 2. The Department of Central Management Services should annually review the Annual Real Property Utilization Reports submitted by each agency to ensure that the reports are complete and accurate and to make any suggested corrections and changes to the reports. CMS should then provide updated spreadsheets to the agencies.**

CMS should also make improvements to the Annual Real Property Utilization Report templates for each agency to ensure that property is reported consistently between agencies.

Finally, CMS should ensure that agencies submit the Annual Real Property Utilization Report annually as required.

Findings: In FY2012, thirty-three agencies submitted Annual Real Property Utilization Reports listing State-owned real property. The Site Form A worksheet lists all of the real property by site (6,462 entries). The Building Form A worksheet lists all of the buildings for each property location (9,608 entries).

Comparatively, the master record only contained 1,789 entries. The master record had listings for only one of the nine public universities and had only two entries for that university.

While much more comprehensive than the master record, an examination of the FY12 Annual Real Property Utilization Reports revealed several problems with the reports.

- **Inconsistent Reporting Between Agencies** – Agencies were not consistent in how real property was reported. Some agencies' reports listed each location as a single entry on the Site Form A. Individual buildings for that location were then listed on Building Form A. For example, the Illinois State Fairgrounds in Springfield was a single location on Site Form A. Building Form A contained 149 separate entries for the buildings located at the State Fairgrounds.

Other agencies listed a site multiple times on Site Form A and then also listed the buildings for the site on Building Form A. The Department of Natural Resources had 3,398 entries on Site Form A and 3,230 entries on Building Form A. The high number of entries was because sites were listed multiple times.

- **Incomplete Data** – The individual entries on the Annual Real Property Utilization Reports were missing some key data that prohibits better use of the data. For example, 1,035 entries lacked a site number.

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Building Form A includes columns to designate the building into one of three classifications: 1) surplus (vacant, unoccupied or unused), 2) excess (no present program need by the agency), or 3) agency use (in use by the agency). However, 5,302 of the 9,608 entries left this part blank or contained an erroneous entry.

Exhibit 2-3 SITE FORM A MISSING INFORMATION Examples from the Annual Real Property Utilization Reports Submitted by Agencies in 2012		
Data Heading	Description from CMS Instructions to the Agencies	Number of Blanks
Site Number	The Site Number is assigned by CMS as an administrative standard for identification of real property on the master record.	1,035
Site Name	The Site Name is assigned by CMS as an administrative standard for identification of real property on the master record.	321
Street Address	The Street Address is as recorded by CMS as an administrative standard for identification of real property on the master record.	366
City /Town	The City is as recorded by CMS as an administrative standard for identification of real property on the master record.	1,550
Acquired From and Date	The Acquired From and Date field is required by Illinois law (30 ILCS 605/7.1) for minimum compliance with the Act. Information recorded has been provided by your agency for compilation into the CMS master record.	551
Cost of Acquisition	The Cost of Acquisition field is required by Illinois law (30 ILCS 605/7.1) for minimum compliance with the Act. Information recorded has been provided by your agency for compilation into the CMS master record.	453
Funds Used to Acquire	The Funds Used to Acquire field is required by Illinois law (30 ILCS 605/7.1) for minimum compliance with the Act. Information recorded has been provided by your agency for compilation into the CMS master record.	1,308
Site Type	The Site Type field is required by Illinois law (30 ILCS 605/7.1) for minimum compliance with the Act. Information recorded has been provided by your agency for compilation into the CMS master record. 30 standard classifications are provided for entry.	3,760
Source: OAG analysis of agency submitted 2012 Annual Real Property Utilization Reports.		

Outdated Information/Errors in the Data – As noted earlier, the Site Form A and Building Form A templates are pre-populated to include, for each agency, all of the agency's real property as was previously reported. The agency is responsible for adding new or missing real property, adding any missing information, and suggesting changes to correct erroneous

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information. Agencies were correcting some information but CMS did not make adjustments to the form to remove properties.

Exhibit 2-5 SAMPLE OF ISSUES WITH REAL PROPERTY ENTRIES – AS NOTED BY THE AGENCY – AND WHETHER THE ENTRY WAS CORRECTED BY CMS							
Issue with Property	Agency	Issue Noted on ARPUR					Corrected in 2012?
		2007	2008	2009	2010	2011	
1 Property sold in 2007	Central Management Services	X	X	X	X	X	No
2 Building destroyed and removed from property in April 1996	Corrections				X	X	No
3 No contemplated future use for the property	Corrections	X	X	X	X	X	No
4 Building demolished	Human Services	X	X	X	X	X	No
5 No longer DHS property	Human Services		X	X	X	X	No
6 Building to be deleted; information combined with new building	Illinois State University					X	Yes
7 Building condemned	Juvenile Justice	X	X	X	X	N/A ¹	No
8 Building sold in fiscal year 2004	Military Affairs	X	X	X	X	X	No
9 Building demolished	Military Affairs	X	X	X	X	X	No
10 Property disposed	Military Affairs	X				X	No
11 Building deeded to village of Spring Grove in November 2007	Natural Resources		N/A ¹	N/A ¹	X	X	No
12 Agency cannot identify building by description	Natural Resources		N/A ¹	N/A ¹	X	X	No
13 Building never existed	Natural Resources		N/A ¹	N/A ¹	X	X	No
14 Delete building	Natural Resources		N/A ¹	N/A ¹		X	No
15 Property never acquired	Natural Resources		N/A ¹	N/A ¹		X	No
16 Duplicate entry	Natural Resources		N/A ¹	N/A ¹		X	No
17 Property transferred to City of Pana	Natural Resources		N/A ¹	N/A ¹		X	No
18 No record of this building; suspect duplicate	Southern Illinois University	X	X	X	X	X	No
19 Delete record; demolished in 2004	State Police					X	No
20 Duplicate entry	State Police					X	No
21 Leased facility	State Police	X	X	X	X	X	No
22 Not an ISP facility	State Police					X	No
23 No record of building	Transportation	X	X	X	X	X	No
24 Leased property	Transportation	X	X	X	X	X	No
25 Remove from asset list as demolished	Western Illinois University					X	No

Source: OAG analysis of agency Annual Real Property Utilization Report submissions.

To determine if issues with properties had been identified by the agencies in previous Annual Real Property Utilization Reports, auditors sampled 25 property entries where there was an issue and examined entries back to 2007. The issues with the property entries should likely have resulted in the property being removed from the report. Auditors concluded that CMS does not correct the Annual Real Property Utilization Reports to make the agencies' suggested changes or remove property that should no longer be listed. Of the 25 entries sampled, only 1 was corrected.

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Some agencies that had real property did not complete Annual Real Property Utilization Reports for each year reviewed. Natural Resources did not complete a report for 2008 or 2009. Juvenile Justice did not submit a report in 2011.

Response: The Department agrees with the recommendation. The Department will implement the recommendations for the next Annual Real Property Utilization Report, which will be sent to Agencies.

Updated Response: Accepted. The ARPUR and template formats were changed as of the FY14 reporting period to ensure uniformity and consistency in responses so that statewide information could be maintained on the database and utilized for reporting. Going forward in FY15, Agencies will be able to update the database in real-time as property information changes. BCCS is currently reformatting some historical data and after completion of that process, CMS will be able produce a master ARPUR for use as required by the Act.

- 3. The Department of Central Management Services should follow up with agencies that file exemptions from filing Annual Real Property Utilization Reports to determine the validity of the agencies' claims. If necessary, CMS should seek legislative change to clarify which agencies are required to file the Annual Real Property Utilization Reports.**

Findings: Two agencies, the Illinois State Toll Highway Authority and the State Universities Retirement System, claim exemptions from completing the Annual Real Property Utilization Reports. Both agencies have submitted justifications to CMS for why they are not required to submit a report.

Illinois State Toll Highway Authority

In a letter dated April 8, 2005, the Toll Highway Authority noted that the State Property Control Act excludes real property that is for rights of way for highway improvements. According to the Toll Highway Authority, the only real property that was reportable was the Central Administration Building as all other real estate holdings were contiguous with the roadway. Further, in 2004, the Toll Highway Authority constructed public access across the Central Administration parcel which, according to the Toll Highway Authority, made the parcel part of the highway improvements and therefore need not be reported.

The letter went on to state that not only is real property held by the Toll Highway Authority excluded due to its usage as rights of way for highway improvements, but it is also excluded because it is not State-owned property since Tollway property is not acquired with money appropriated by the General Assembly or provided by the federal government.

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State Universities Retirement System

In a letter dated June 8, 2012, the State Universities Retirement System (SURS) stated that the Annual Real Property Utilization Report did not pertain to SURS because the State Property Control Act did not address entities like SURS. As a consequence, none of the assets of SURS could be considered assets of the State.

Response: The Department agrees with the recommendation. The Department will seek legislative change to clarify who must submit an ARPUR. During this time, the Department will continue to seek compliance from those covered under the State Property Control Act.

Updated Response: Accepted. The legislation is clear and does not require change. The Responsible Officer of any agency that files an exemption certifies the same on Form B which is collected and maintained by the Bureau of Property Management. BoPM will follow up with agencies that file exemptions to ensure agencies understand the legislation. The Act clearly exempts the Medical District Commission and the Toll Highway Authority has provided justification as to why they are not required to report the property they own.

4. The Department of Central Management Services should correct the deficiency in the design of Site Form A to enable agencies to report excess and surplus real property.

CMS should also monitor the Annual Real Property Utilization Reports to ensure information on excess and surplus real property is being reported.

Finally, CMS should work with agencies that identify excess and surplus real property to ensure maximum efficient utilization of State-owned space.

Findings: The procedures in place to identify excess and surplus real property are not fully adequate to ensure that all excess and surplus real property is being identified. One of the two primary procedures for identifying excess and surplus real property has substantial deficiencies in how excess and surplus property is reported. Further, the information that is reported is not used by CMS.

Procedures for Identifying Excess and Surplus Real Property CMS has two primary procedures for identifying excess and surplus real property. The first method is through reporting of excess and surplus real property

Surplus Real Property

Any real property which:

- The State holds fee simple title or lesser interest;
- Is vacant, unoccupied, or unused; and
- Has no foreseeable use by the owning agency.

Excess Real Property

State-owned or controlled real property which has no present program need by the holding agency.

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by the agency on its Annual Real Property Utilization Report. The second method is through on-site investigations and inspections conducted by CMS.

Agency Reporting Excess and Surplus Real Property

The Administrative Code requires agencies to report excess and surplus real property on the Annual Real Property Utilization Report. Agencies are also required to submit reports of excess space and surplus property each month as property becomes available. An examination of the Annual Real Property Utilization Reports shows problems with both the report form and the agencies' reporting:

- Building Form A includes a column for the agency to indicate if the parcel is surplus or has excess space. However, Site Form A does not have a corresponding column on its template. CMS should correct the deficiency in the design of Site Form A by adding a place to indicate if a property is considered excess or surplus.
- The individual entries on the Annual Real Property Utilization Reports are missing some key data. Building Form A includes columns to designate the building into one of three classifications: 1) surplus, 2) excess, or 3) agency use. However, 55 percent (5,302 of the 9,608) of the entries were blank or contained an erroneous entry.

Response: The Department agrees with the recommendation. The Department will implement the suggested recommendations in the next ARPUR.

Updated Response: Implemented. Agencies can utilize Building Form A Columns O, U, AA, and AF for reporting Surplus or Excess Real Property.

5. The Department of Central Management Services should examine automating the master record of State-owned real property, to allow the State to effectively manage land and building assets, with a comprehensive system that:

- is capable of producing management reports;
- enhances security and data integrity; and
- allows concurrent access.

Findings: CMS does not maintain a comprehensive computerized real property system. The electronic spreadsheet program CMS uses, while useful for tracking leases, does not include most State-owned real property and is not centrally warehoused. A comprehensive system could be used by multiple divisions at CMS to help better manage the space utilization program, as well as by outside agencies to make changes to the master record.

CPROPS

CMS uses an electronic spreadsheet program to track and manage leased property. The program, referred to as CPROPS (Comprehensive Portfolio Review & Optimization for

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Performance & Sustainability), was developed internally by CMS and put into use within the last five years. CPROPS is a computer spreadsheet which contains information on the current active leases managed by CMS. The information in CPROPS is not centrally warehoused making it more difficult to access. Only one person can work in the CPROPS spreadsheet whereas a database program is designed for multiple users and each user can have different data permissions.

While CPROPS is used to track leases, it is not used to track space in State-owned property. Although some State-owned property has been input into CPROPS, it does not include all State-owned property. The information that is included on State-owned property is not updated and does not include whether there is any space available in the State-owned property.

Previous Audit

The February 2004 management audit also discussed issues with the real property system. At that time, CMS had made attempts to implement a web based real property system but those efforts failed. The audit included a recommendation that CMS look into the possibility of automating the master record.

CMS hired a third party vendor to perform asset management services. This included developing databases for CMS to use in the management of the space utilization program. The vendor created the spreadsheets which are now used for the Annual Real Property Utilization Reports.

Following the initial submission of the Annual Real Property Utilization Reports using the new format, a report was generated to send to the General Assembly. The report appeared to use information from a real property database and combined all agencies' submissions into one comprehensive report. This comprehensive report would have also met CMS' requirement of maintaining a master record of real property.

However, after the contract with the vendor was terminated in May 2005, CMS did not receive physical possession of the database. A settlement agreement, dated December 20, 2011, released both the vendor and CMS of any further claims or responsibilities resulting from the 2004 contractual agreement.

Response: The Department agrees with the recommendation. CMS will evaluate the cost-benefit of creating a database and also examine alternatives.

Updated Response: Accepted. BCCS has automated the master record through development of the comprehensive database. Anticipated completion date for the database to be fully operational is December 31, 2014. Training will occur in January for agencies to enter their own data.

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6. The Department of Central Management Services should ensure its lease files contain the required documentation including:
- When applicable, a space request from the requesting agency;
 - Documentation of a check of State-owned space conducted prior to any efforts to locate leased space from third parties in accordance with Department policy;
 - Documentation of a site inspection; and
 - A Property Management Business Case (PMBC).

Findings: Auditors judgmentally sampled 25 leases to determine if CMS followed procedures intended to ensure the efficient use of State-controlled space. Auditors focused on if there was a space request, a check for State-owned space, a site inspection, and a PMBC in the file. Additionally, auditors tested for evidence of the lease being submitted to the Procurement Policy Board for review.

Space Request

According to Administrative Code, space requests are submitted by agencies to indicate their space needs. Auditors found a space request in the lease files for 18 of 25 (72%) leases sampled. Of the remaining 7, one did not contain a space request because it was a consolidation which was initiated by CMS and therefore not requested by the agency.

Auditors found that CMS leased less space than was requested by the agency for 13 of the 18 leases with space requests (72%). The remaining 5 leased more than was requested.

Space Check

Checking for State-owned space is an important part of the leasing process. Identifying currently available space in State-owned or leased buildings is a way for the State to ensure best use is made of its property and resources and to avoid entering into new leases that may not be necessary.

During testing, auditors found a check for State-owned space in only 7 of 25 leases (28%). Additionally, for three of the seven space checks that were conducted, the space check was conducted only 12 to 60 days in advance of the lease being awarded. In one case, the space check was 252 days after there was a Request for Information to lease space.

Site Inspections

Site inspections/visits play a key role in identifying excess space and opportunities for consolidation and more efficient use of State space. CMS policy states that leasing representatives are expected to conduct on-site investigations and inspections to: 1) confirm, corroborate, and update the excess property information reported by State agencies, and 2) discover excess property either not reported or inaccurately reported.

Files lacked evidence of a site visit in 6 of 25 leases tested (24%). Without a site visit, it is difficult to determine if all requested space is truly needed or if reductions could be made.

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Property Management Business Case

The PMBC is an important tool for collecting and documenting CMS's due diligence with regards to lease activities. A PMBC is used to validate an agency's space request by measuring the available space, verifying on-site headcount, and comparing those numbers to space standards. A PMBC is also intended to document explanations and justifications of why the requested space is the most appropriate for the agency's needs. Auditors found a PMBC in the majority of lease files tested.

Updated Response: Implemented. BOPM utilizes a checklist to ensure lease files contain the required documentation. When information is needed from the files, copies are provided. Original documents stay in the file.

7. The Department of Central Management Services should ensure site visits to identify space in State-owned facilities are conducted on a regular basis as is required by Department policy.

Findings: CMS does not proactively monitor space in State-owned properties. CMS relies on agencies to self-report excess State-owned space on the Annual Real Property Utilization Report or monthly as space becomes available. Regular site visits would help uncover unreported excess property as well as encourage more accurate reporting in the future due to accountability and the presence of monitoring.

According to a CMS official, site visits are not done on a regular basis. Site visits were previously done on State-owned property on an annual basis; however, now they are more reactionary and done when a space request has been submitted to CMS.

Response: The Department agrees with the recommendation. CMS has implemented this recommendation with respect to real property that it directly manages or procures on behalf of Agencies, boards and commissions. We have eliminated 2.5 million square feet of space that the State used to pay to lease. We will continue to monitor State-owned facilities and look for ways to minimize leased space.

Updated Response: Implemented. Regular inspections of CMS owned property continues to occur. State-owned facilities generally have BoPM staff on site. Other properties are visited in cycles. CMS does not have a mandate to inspect non-CMS owned facilities over which it has no jurisdiction.

8. The Department of Central Management Services should:

- **take steps to ensure that it is more timely in completing the process of disposing of surplus property;**
- **follow the procedures outlined in State statute and administrative rules when disposing of surplus property including timely notification of State agencies;**
- **maintain proper documentation of the disposal process;**

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- **develop strategies to dispose of surplus properties that have been surplus for years;**
- **examine properties noted as surplus on the Annual Real Property Utilization Reports to determine if they should be disposed; and**
- **conduct a study of the disposal process to determine what changes need to be made to the process to increase efficiencies. If necessary, CMS should seek legislative changes to improve and streamline the process.**

Findings: The process for disposing of surplus real property was neither adequate nor timely. Since 2007, eight surplus properties were either sold or conveyed by CMS or were conveyed by Public Act. The time between the declared date of surplus to the date of final disposition ranged from 43 to 6,973 days. The average time was 1,656 days. This does not include the 14 properties that remain surplus which includes eight properties surplus in 2005 or prior.

Exhibit 4-6 SURPLUS PROPERTY APPRAISAL INFORMATION				
Property Description	Three Appraisals Done?	Year of Appraisals	Fair Market Value	Sale or Conveyed Amount
Former Illinois Youth Center (Valley View)	Yes	2006	\$3,662,500	\$3,662,500
Vinegar Hill Parking Lot	Yes	2006	\$67,867	\$90,000
Paris Work Camp	Yes	2006	\$1,377,667	\$1
Grayville Prison Site	N/A ¹	-	-	\$0
Marion Regional Office Building – Unimproved Land	Yes	2007	\$339,567	\$1
DHS Chicago-Read Mental Health Center Parcel	N/A ¹	-	-	\$0
Thomson Correctional Center	Unknown	-	\$219,932,218	\$165,000,000
Former State Police District Headquarters – Des Plaines	Yes	2011	\$147,400	\$147,400
Former Mine Rescue Station	Unknown	-	- ³	-
Blue Waters Ditch	Yes	2007	\$65,392	-
Joliet Correctional Center (Parcel 1)	Unknown	-	-	-
Joliet Correctional Center (Parcel 2)	Unknown	-	-	-
Joliet Correctional Center (Parcel 3)	Unknown	-	-	-
Former State Police District Headquarters – Pontiac	Yes	2006	\$63,900	-
Stateville Correctional Center	Yes	2008	\$15,966,200	-
Former DOT Yard	Yes	2011	\$3,770,867	-
Lincoln Developmental Center	No ²	-	-	-
Galum Building, Pyramid State Park	No ²	-	-	-
Parking Lot, 4th St. and Capitol	Yes	2013	\$1,525,000	-
Tinley Park Mental Health and Howe Developmental Center	No ²	-	-	-
Singer Mental Health Center	No ²	-	-	-
Jacksonville Developmental Center	No ²	-	-	-

¹Property was conveyed prior to appraisals being required. ²As of June 2013, property had not yet been offered to State agencies. Appraisals would be required after that step is completed. ³A 2004 memorandum noted that three 1988 appraisals established a fair market value of \$6,700.

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Surplus Property as Indicated on Annual Real Property Utilization Reports

The Administrative Code requires agencies to report excess and surplus real property on the Annual Real Property Utilization Report. Auditors examined the FY12 reports and identified additional properties that were indicated as surplus by the agencies other than those listed as surplus by CMS on its official surplus property report. The following Exhibit lists 13 additional surplus property sites with a total of 71 buildings that were indicated as surplus by agencies on their fiscal year 2012 Annual Real Property Utilization Reports.

AGENCY DECLARED SURPLUS PROPERTIES	
Agency Site Name	# of Buildings
Central Management Services <i>Chicago – Read</i>	11
Corrections <i>East Moline Correctional Center</i>	1
<i>Logan Correctional Center</i>	1
<i>Menard Correctional Center</i>	15
<i>Sheridan Correctional Center</i>	5
Governor's State University <i>Wagner House</i>	1
Human Services <i>Alton Mental Health Center</i>	15
<i>Elgin Mental Health Center</i>	1
<i>John J. Madden Mental Health Center</i>	3
<i>Kiley Developmental Center</i>	1
Illinois State University <i>Rambo House #12</i>	1
Illinois State Police <i>Crestwood District 4</i>	1
Veterans' Affairs <i>Illinois Veterans Home at Manteno</i>	15
Total	71
Source: OAG analysis of Annual Real Property Utilization Reports – Building Form A.	

A CMS official stated that surplus property is only acknowledged at CMS by a formal letter from the Director or Secretary of an agency to CMS and that if agencies are indicating surplus on these forms, CMS does not recognize that as surplus.

Conclusions on the Process for Disposing of Surplus Real Property

The process for disposing of surplus real property is not adequate or timely. Many of the properties that are currently surplus have been surplus for years. An examination of the files showed that the process that is in place is not always followed and that there has been no activity to dispose of some properties for several years.

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Each property is unique and has its own characteristics that may inhibit disposition. However, the longer properties are surplus, the higher the risk that the buildings will deteriorate and the properties may decrease in value. Unused properties also continue to have a cost to the State to maintain those properties.

In 2010, CMS contracted with Jones Lang LaSalle to provide real estate services including disposing of surplus property. Jones Lang LaSalle recommended to CMS several changes to the process to permit more timely execution. Recommendations included:

- Shorten the time for State agencies and counties/municipalities to respond (30 days versus 60 days);
- Notify both agencies and counties/municipalities simultaneously;
- Reduce the number of appraisals required;
- Have appraisals done after notification to counties/municipalities. If a county/municipality expresses interest, have them bear the cost of the appraisal.
- If sold on the open market, fair market value should not be limited to the appraisal but should be defined as the price secured via an open, fair, and competitive bidding process.

Updated Response: Accepted. This is an on-going process in which CMS notifies state agencies, local governments and ultimately puts properties up for sale at public auction. Cost-benefit concerns regarding disposal of surplus properties come into play as the liabilities and/or costs to prepare for sale associated with some properties result in zero or negative value. CMS is currently seeking federal grants to assess and remediate unusable properties.

9. The Department of Central Management Services should take steps to implement the directives contained in Executive Order 10-10 related to the sale of surplus property.

Findings: Executive Order 10-10, titled Executive Order Requiring Additional Spending Reductions, was issued by the Governor on July 1, 2010. The order issued several directives, one of which dealt with the sale of surplus State property. The order contained several requirements related to real property and space utilization.

The Executive Order required the Governor's Office of Management and Budget (GOMB) and CMS to review all vacant or unused real estate owned by the State, based on the Annual Real Property Utilization Reports. Following that review, GOMB and CMS were to develop and implement a comprehensive real estate strategy that identified opportunities to use or repurpose vacant properties more efficiently and designated State properties to be sold at fair market value. The order also directed GOMB and CMS to develop and implement a joint plan to further reduce expenditures on office space.

On September 27, 2012, auditors requested the following from CMS:

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1. Any reviews of vacant or unused real estate owned by the State (based on the statutorily required property report prepared by CMS)
2. The comprehensive real estate strategy for these properties
3. The joint plan to reduce expenditures on office space (developed by CMS and GOMB)
4. Any information related to the implementation of the joint plan, when it was implemented, and how it was implemented
5. Any reporting applicable to 1 through 4 above that were required per the Reporting/Benchmarks Section of the Executive Order.

CMS was unable to provide any documentation addressing the requests.

Response: The Department agrees with the recommendation. In 2010, due to the dire financial condition of the State, the Department chose to concentrate all of its efforts in reducing current lease costs. To date, we have eliminated \$55 million in lease costs. We will continue our efforts related to the sale of surplus property.

Updated Response: Accepted. In implementing the directives contained in Executive Order 10-10, CMS has processed and obtained appraisals for various unused properties such as Tinley Park MHC, South 2900 S. Damen Avenue-Chicago, and Singer MHC in Rockford.