

STATE OF CONNECTICUT

**PERFORMANCE REVIEW
FOLLOW-UP
REAL PROPERTY
SURPLUS REAL PROPERTY**

July 31, 2002

AUDITORS OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes and with Generally Accepted Government Auditing Standards, we have conducted a follow-up performance audit of the prior performance audits of the management of the State's real property control inventory systems and surplus real property as reported in "State's Real Property Management Systems"; "State Owned Surplus Real Property"; and "Surplus Property and Real Property Control Systems – Department of Transportation," issued November 10, November 12, and October 13, 1999, respectively.

Our audit was performed as follows: management of the State's real property control inventory systems was reviewed at the Department of Environmental Protection, Department of Public Works, Office of Policy and Management, Office of the State Comptroller and the Department of Transportation. Surplus real property was reviewed at the Department of Environmental Protection, Department of Public Works, Office of Policy and Management and Department of Transportation.

The conditions noted during the follow-up audit, along with our recommendations, are summarized below. Our findings are discussed in further detail in the "Results of Review" section of this report.

**DEP Survey of
State-owned
land**

A plan to survey the State's land over a period of time, thereby spreading the cost out, was not developed by Department of Environmental Protection. Accurate information on the State's land holdings is essential to protect State assets and to make the most informed decisions. Such information is also necessary to evaluate the State's compliance with statutory requirements for open space under Section 23-8 of the General Statutes.

Additionally, written policies and procedures were not established for the management and disposal of surplus real property. Proper identification and management of surplus real property is also a necessary component in the Agency's evaluation for compliance with the General Statutes.

Department of Environmental Protection should develop a plan to survey all State-owned land. This plan should include policies and procedures for identifying, managing and disposing of surplus real property. (See items A.2. and B.8.)

**“Surplus” or
“Marginal” use
property**

Clearly defined standards and criteria for identifying surplus and marginal use of State owned property have not been established. Improved identification of surplus State property would enhance the State’s planning and strategizing in disposing of surplus property in the State’s best interests. Municipalities could be provided advance notice of possible availability of State property within their borders.

Criteria or standards should be developed for defining “surplus” and “marginal use” property. (See Item B. 1.)

**Monitoring
Legislative
Conveyances**

Our follow up review included determining the current status of the legislatively conveyed properties listed in the prior performance report. Although we found that all cases had been satisfactorily resolved through conveyance of the property or further legislative action, there continued to be a lack of monitoring and tracking of legislative conveyances by the agencies possessing such properties or the Legislature to ensure that enacted legislation had been complied with.

The Department of Public Works and Office of Policy and Management should cooperatively establish a monitoring system for legislative conveyances and an adequate mechanism to keep the Legislature apprised of the status of such properties. (See Item B. 9.)

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditors of Public Accounts, in accordance with Section 2-90 of the General Statutes are responsible for examining the performance of State entities to determine their effectiveness in achieving expressed legislative purposes. We conducted our follow-up review of the prior performance audits of the management of the State's real property control inventory systems and surplus real property, as reported in three separate reports:

- State Owned Surplus Real Property, Department of Transportation; issued October 13, 1999
- Surplus Property and Real Property Control Systems; issued November 10, 1999
- State's Real Property Management Systems; issued November 12, 1999

Our audit was performed in accordance with Generally Accepted Government Auditing Standards. Management of the State's real property control inventory systems was reviewed at the Department of Environmental Protection, the Department of Public Works, the Office of Policy and Management, and the Office of the State Comptroller. Surplus real property was reviewed at the Department of Environmental Protection, the Department of Public Works, Office of Policy and Management and the Department of Transportation. Our review did not include the Department of Economic and Community Development; findings from the performance audit reports related to that Department were reviewed during our regular audit of that agency.

The major objective of this audit was to follow-up on the prior performance audit findings and recommendations to determine the current status of actions taken by the agencies in response to our recommendations. Issues from the three prior reports were combined and reviewed as an overall system follow-up review. The audit was limited to evaluation of the progress made by agency staff in implementing actions necessary to address and resolve our prior recommendations.

BACKGROUND

Real Property:

Real property owned by the State of Connecticut, including unused or underused property, is managed by several State agencies, and operates under the provisions of a number of State laws and regulations. Most of the laws for the areas covered by this report are found in the General Statutes under Title 4, Management of State Agencies; Title 4b, State Real Property; Title 8, Zoning, Planning, Housing; and Title 26, Fisheries and Game.

Originally, the General Statutes charged the Department of Public Works with responsibility for coordinating the real estate function in Connecticut. However, beginning in July 1992, some of the real property management functions were turned over to Office of Policy and Management's Bureau of Real Property Management. The Office of the State Comptroller is responsible for designing policies and procedures to be followed by State agencies in maintaining their real property inventories. The agencies are required to follow these policies and report on inventories annually.

Our prior review disclosed that the original goal of the Office of Policy and Management, Bureau of Real Property Management, in conjunction with the Department of Public Works, was to establish a system that would act as a central database of real property information. Building numbers used by the Office of the State Comptroller and numbers used by the Department of Public Works were imbedded in the database so that the three systems would be linked. The Office of the State Comptroller maintained and updated an inventory of State owned buildings and land that was based on the Annual Fixed Assets reports filed by all State agencies that own and control State properties. The Office of Policy and Management maintained a property control system of State owned buildings that was updated quarterly from data supplied by State agencies. The Department of Public Works also maintained an inventory of State owned properties for use by its staff, but this system was not formally updated. In response to our prior recommendations, the three agencies cooperatively created and implemented a statewide real property inventory system. The Joint Effort for State Inventory Reporting, or JESTIR, is a mutual effort on behalf of the Office of Policy and Management, Office of the State Comptroller and the Department of Public Works. This system will be further discussed in the "Results of Review" section of this report.

The State holds title to approximately 218,500 acres of land for conservation purposes under the Department of Environmental Protection, which includes State wildlife management areas, State parks, and State forests. While such land may appear to be idle, it is actually held to preserve its natural setting, to control the use of natural resources, and to prevent any commercial development except as needed for forest resource management and public outdoor recreation. Many of these properties are acquired through Federal assistance, special bonds, or gifts. The deeds to these properties are often limited to their conservation purpose and restrict future use of the property.

Surplus Real Property:

Our prior review disclosed that management of the State's unused or underutilized real property had been severely neglected. In some cases, acres of land were minimally utilized, and buildings had been used for storage or had been left vacant for many years, in some cases for as long as thirty years. This neglect was reported in the 1991 Thomas Commission Report, and although some efforts had been made toward solving the problems created by years of neglect, some of the underlying causes continued to exist.

Criteria for a surplus real property system should include acquisition, management and disposition of property in the State's best interest, retention of property that is essential for its operations, and a clear and consistent administrative process to identify real property that is vacant, unused, underused, or inefficiently used. There should also be a process to determine the best use for such real property in a timely manner.

Recent Legislative Program Review and Investigations Committee Review:

The Legislative Program Review and Investigations Committee released a report on December 17, 2001, entitled "The Department of Public Works Space Acquisition and Disposal." Part of the scope of its review was the identification and disposition of surplus real property, and monitoring legislative conveyances of State real property. Program Review staff findings concurred with some issues presented in our prior performance review. The staff concluded that procedures for disposition of surplus real property were both complex and time consuming. Their recommendations included legislative changes to replace the existing statutory deadlines for disposition of property with more realistic and reasonable guidelines; establishment of a monitoring system to track the disposition of legislative conveyances from beginning to end; an update of the Department of Public Works property acquisition and disposition manuals; and requiring complete documentation in the Department of Public Works files of all real estate transactions.

RESULTS OF REVIEW

Our review included interviews with management at each agency on the current status of agency responses to our prior recommendations and the measures taken to address the findings. Additionally, recent audit reviews and resulting audit reports from the Legislative Program Review and Investigations Committee and Auditors' reports for the Office of the State Comptroller, and the Department of Transportation were reviewed and incorporated in our responses. In cases where new policies, procedures or systems were implemented, evaluation was performed to determine if such changes resolved the findings as intended. Each recommendation will be addressed separately, with each section including the prior audit recommendation, results of current review, and conclusion or recommendation. Agency responses are included after corresponding current recommendations.

A. State's Real Property Management Systems Report

Item A. 1. - State Real Property Inventory

Prior Audit Recommendation:

The three central agencies should try to work together to develop one Statewide real property management system or inventory database that would be used by the central agencies as well as the other agencies responsible for real property.

To insure that this database is complete and accurate, a comprehensive review of State and municipal records should be conducted and up-to-date building and land reports should be obtained. In addition, periodic testing of the records for accuracy and completeness should be incorporated into the property management policies.

Results of Current Review:

To address the first part of the prior recommendation, the Office of the State Comptroller, the Office of Policy and Management and the Department of Public Works have cooperated in establishing and implementing the Joint Effort for State Inventory Reporting (JESTIR). This system was instituted in March 2001 and is maintained by the Office of Policy and Management. Use of the JESTIR system is required by all State agencies that have custody and control over State-owned structures. Data supplied to the Office of Policy and Management for this system is accessible to the central agencies, and consolidates the Statewide real property inventory data. Updates to the JESTIR database are based on required quarterly update reports from all State agencies that have custody and control of State owned structures. This also eliminates the need for State agencies to report identical real property inventory data to each of the central agencies, thus reducing the risk of errors and inconsistencies in the database. The system also identifies and accounts for surplus and vacant buildings. Additionally, JESTIR inventory reports are required as support to the Annual Fixed Asset Report (CO-59) submitted to the Comptroller's office. Initially, the JESTIR system was utilized to inventory State-owned structures, however, it is currently being expanded to capture land and leased data. The Office of Policy and Management and

Office of the State Comptroller anticipate the addition of land and leased data fields to be completed by July 2002.

During our regular field review of the State Comptroller, Departmental Operations for the fiscal year ended June 30, 2000; a performance evaluation was completed as a follow-up to the prior performance audit report. In the resulting audit report, issued December 5, 2001, we noted that the State Comptroller had taken the necessary steps to comply with this prior performance audit recommendation.

To address the second part of the prior recommendation, the three agencies cooperated in evaluating the prior real property inventories and determined that the State Comptroller's records on structures were the most accurate and would be used as the initial data entry to the new JESTIR system. The database is electronically updated by the required quarterly reports, including any corrections, from the agencies with care and control of State-owned property.

Conclusion:

The three agencies have made progress towards implementing this recommendation and have informed us of their plans to continue to add capabilities to the JESTIR system. Therefore, we will not repeat this recommendation. Information contained in the JESTIR system will be periodically reviewed, as deemed necessary, by our audit staff during the regular agency audits.

Item A. 2. - Department of Environmental Protection – Property Control

Prior Audit Recommendation:

The Department of Environmental Protection's real property documents and resulting reports should be complete and accurate. The inventory system maintained by the Office of Policy and Management and the inventory report issued by the State Comptroller's Office should be reconciled with the detailed records held at the Agency and identified differences should be corrected.

Although it would be ideal to have accurate information on the State's land holdings, the cost to obtain this information may be prohibitive. A plan to survey the State's land over a period of time, thereby spreading the cost should be developed. Meanwhile, for the Department to protect its assets and for its managers to make their most informed decisions, the Department should strive to have the most complete, accurate and consistent records possible.

Results of Current Review:

To resolve the first part of this recommendation, the Department of Environmental Protection uses the JESTIR system for inventory of its State-owned real property structures (including houses). The implementation of the JESTIR system eliminated the multiple inventory systems previously maintained by the Department of Environmental Protection, the Office of

Policy and Management and Office of the State Comptroller. All data is now maintained on a single system. Although we did not test the accuracy of the JESTIR records on structures provided by the Department of Environmental Protection, information contained in the JESTIR system will be periodically reviewed, as deemed necessary, by our audit staff during the regular agency audits.

In respect to the land records, Section 23-8 of the General Statutes requires that the “goal of the state’s open space acquisition program shall be to acquire land such that ten percent of the state’s land area is held by the state as open space land....” This statute also establishes minimum acquisitions for each fiscal year, beginning in 2000. Without accurate data on existing State-owned properties, this assessment cannot be reliably evaluated.

During the first year of implementation, the JESTIR system accounted for State-owned structures only; however, it is currently being expanded to capture land data. The Office of Policy and Management and Office of the State Comptroller anticipate the addition of land data fields to be completed by July 2002. The current review also found that resolution of discrepancies between State and town records is difficult, with costs potentially prohibitive. Differences usually stem from property line encroachment by adjoining property owners over many years. Many properties have not been surveyed for many years, or not at all. Department management stated that the Agency does not have the resources in staff or funding to completely research and resolve all differences between State and town land records. However, the Department of Environmental Protection has established a reactive rather than proactive system (i.e. the Property Management Review Team responds to public land requests when identified differences between State and town records are brought to them for recommendations on resolution). Finally, the Department of Environmental Protection management noted that in light of the current fiscal environment, they do not anticipate obtaining the necessary resources to fully research all State-owned land in the near future.

Recommendation:

The implementation of the JESTIR inventory system eliminated the use of different inventory databases for State-owned structures, and eliminated the need for State agencies to report identical real property inventory data to each of the central agencies, thus reducing the risk of errors and inconsistencies in the database. The addition of land records to the system will also eliminate the multiple land inventories currently in existence.

However, we found that the Department of Environmental Protection has not taken adequate positive steps in addressing the prior performance audit recommendation for the Department to develop a plan to survey the State’s land over a period of time, thereby spreading the cost. Such a plan would aid the Department in protecting its assets and providing the most complete, accurate and consistent records possible for its managers to make their most informed decisions, including future acquisitions. This recommendation will be repeated in combination with the current recommendation for the establishment of written policies and procedures for the management and disposal of surplus real property. (See Recommendation 1)

B. State Owned Surplus Real Property Report

Item B. 1. - Standards or Criteria to Identify Surplus Property

Prior Audit Recommendation:

Criteria or standards should be developed for defining “surplus” and “marginal use” property.

Results of Current Review:

The Office of Policy and Management maintains that Section 4b-21(b) of the General Statutes defines the process by which property becomes surplus and the procedures for the disposition of such property. It was also argued that only an agency can determine if a structure is surplus or of marginal use based on their current and planned future needs. The Office of Policy and Management explained that the JESTIR system includes an occupancy status field, completed by agencies, that ensures that central agencies are kept aware of the status of all State owned buildings and allows quick notification of surplus property to other State and local agencies. Standards and criteria created by the Office of Policy and Management, in cooperation with the Office of the State Comptroller and the Department of Public Works, for identifying surplus property need not involve dictating which properties should be designated as surplus. However, basic guidelines should be established and should be enforced at all agencies in custody and control of State owned properties.

Recommendation:

Clearly defined standards and criteria for identifying surplus and marginal use of State owned property have not been established. Improved identification of surplus State property would enhance the State’s planning and strategizing in disposing of surplus property and could provide municipalities advanced notice of possible availability of State property in their regions. This recommendation will be repeated. (See Recommendation 2)

Item B. 2. - Inventory Listing of State Surplus Real Property

Prior Audit Recommendation:

A comprehensive search of all State and municipal real property records should be conducted to locate previously unidentified State-owned property.

Results of Current Review:

Our current review disclosed that the Department of Public Works, in cooperation with the Office of Policy and Management and Office of the State Comptroller, has implemented the JESTIR inventory system as discussed above. The JESTIR system accounts for surplus real property through requiring agencies to designate such properties in the ‘occupancy status’ data field for each structure, for processing through the Office of Policy and Management

and the Department of Public Works. Occupancy status choices for structures includes whether the structure was currently being utilized; vacant – surplus to agency needs; and vacant – not surplus to agency needs. When a property is no longer needed by an agency, responsibility and record keeping of such property is transferred to the Office of Policy and Management. The Department of Public Works provides staff for security and maintenance. Surplus real property reports are available through the JESTIR system. Although we did not test the validity and accuracy of the JESTIR data, we did verify the program requirements for occupancy status on all structures and the availability and convenience of system reports, and our field staff will review, as deemed necessary, this area during the course of our regular agency audits.

It should be noted that without all State-owned real property, including land, on the JESTIR system, any report on surplus real property would potentially be incomplete.

Conclusion:

The main purpose of this recommendation was that the State needed to develop an accurate and comprehensive listing of vacant buildings and surplus buildings and land. Although a comprehensive search of all State and municipal real property records has been neither planned nor performed, the three agencies have cooperatively instituted the JESTIR inventory system that produces listings of, and information about, vacant and surplus buildings. This system allows State managers to have information when decisions about agency moves, purchases of new facilities, or sales of surplus property need to be made.

As discussed previously, we have recommended that the Department of Environmental Protection develop a plan to survey and determine the extent of its real and surplus real property (Recommendation #1). Additionally, our regular audit of the Department of Transportation for the fiscal year ended June 30, 2001, included a recommendation that, "...The Department should also implement statutory, policy and procedural changes that would expedite the process for identifying and disposing surplus real property." Since these two agencies combined have care and control of the bulk of State-owned land, we will not repeat this recommendation here.

Item B. 3. - Complex and Time Consuming Procedures

Prior Audit Recommendation:

The retention of building condition and historic information, as well as demolition decisions, should be incorporated into the routine maintenance procedures for all State-owned buildings.

Results of Current Review:

With the implementation of the JESTIR property inventory system, necessary data on buildings are now included in inventory records, including the building condition, historical information, and whether the building is in use or surplus to the agency's needs.

The Department of Public Works management stated that they realize that the procedures for disposition of surplus buildings are complex and time consuming, but Section 4b-21(b) of the General Statutes established these procedures and State agencies are required to follow these procedures. Once a property has been designated as surplus to the Agency's needs, under Section 4b-21, subsection (b) of the General Statutes, other State agencies have 90 days to submit plans to the Office of Policy and Management for reuse of available surplus property. Furthermore, under Section 3-14b, subsection (a) of the General Statutes, municipalities have 45 days to give written notice of their desire to purchase State surplus property. Finally, under Section 3-14b, subsection (c), of the General Statutes, the sale of State surplus property to a municipality must be completed within 60 days of the town's written notice of interest. The Legislative Program Review and Investigations Committee (LPRIC) recently completed a report on the Department of Public Works property issues, including statutory time frames. Committee staff analysis of sales transactions disclosed that these timeframes are not met. Discussions with various Agency personnel suggested that these statutory time frames were not realistic given the work and negotiations involved in such transactions. There were numerous and varied reasons for delays in the process of disposing of real property. The LPRIC report included a recommendation for legislative action that existing statutory deadlines be eliminated and be replaced with realistic and reasonable guidelines developed by the Office of Policy and Management.

Conclusion:

The implementation of the JESTIR inventory system requiring expanded building data has resolved part of the basic issues in this recommendation. The subject of legislative changes has been adequately addressed by the Legislative Program Review and Investigations Committee Report recommendation for legislative action, as discussed above. This recommendation will not be repeated.

Item B. 4. - Future Use of Real Property

Prior Audit Recommendation:

As soon as change becomes evident, planning should begin so that the intended future use of facilities and land is clear.

Results of Current Review:

Section 4b-23 of the General Statutes requires agencies to report long-range (minimum of five years) plans for their facility needs to the Office of Policy and Management. The reported facility needs include long-term and short-term plans, opportunities for replacing leased space with State-owned space, facilities proposed for demolition or surplus/abandonment that have other potential uses, space modifications or relocations that could result in cost or energy savings, etc. The Office of Policy and Management presents this information to the State Properties Review Board, and cooperatively creates the "Recommended Statewide Capital and Facility Plan" for submission to the General Assembly. After budget approval by the General Assembly, the plan becomes the "State

Facility and Capital Plan – FACCAP” and is used as an advisory document for leasing and related capital projects. Additionally, the JESTIR system includes two data fields where agencies are required to note two-year and five-year use recommendations for each structure. The Office of Policy and Management managers noted that an additional data field will be added to both the structure and land JESTIR databases that will require the agencies to report on the intended/recommended use beyond five years. They also noted that this length of time was difficult to plan for with the changing factors such as economic climate, budgetary restrictions, agency mission and staffing, etc.

Although the General Statutes require agencies to report long range plans for their property needs, and there are procedures in place for agencies to do this, the General Statutes do not preclude planning for more than a minimum of five years. In instances where it is known that a building or buildings would not be needed more than five years later, planning for future use of that building should be included as early as possible to allow selection of the most effective and efficient options available to the State.

Conclusion:

While compliance with statutory requirements to report facility needs to the Office of Policy and Management and the implementation of the JESTIR inventory system have adequately resolved the basic issue in this recommendation, agencies should properly address extended facility needs past statutory minimums in those situations which warrant extended planning. Additionally, the latest revision to the JESTIR program includes an additional planning field for agency facility needs for five years and beyond. This recommendation will not be repeated.

Item B. 5. - The Department of Public Works Plans

Prior Audit Recommendation:

The Department of Public Works should develop and submit long-term plans for both use and maintenance of the real properties under its care. These plans should be based on comprehensive, up-to-date building condition reports.

Results of Current Review:

The Department of Public Works has completed a comprehensive two-year plan for use and maintenance of buildings under its care and control, which is used to support funding requests. Additionally, in compliance with General Statute 4b-23, Department management noted that the five-year facility plans were submitted to and incorporated by the Office of Policy and Management in the Statewide “State Facility and Capital Plan – FACCAP,” discussed above. In discussion with the Office of Policy and Management management, this was acceptable for long-term planning requirements. Current policies and procedures for Building Condition Reports were reviewed and specific reports for the facilities listed in the prior performance report were verified. We found that of the 18 buildings in question, three had been transferred to other agencies, four had or are in the process of being sold by the Office of Policy and Management, and one was demolished. Of the ten remaining buildings,

five had reports on file (four completed since the prior performance review), and five reports could not be located (it should be noted that two of the listed facilities housed numerous buildings – Uncas on Thames has 36 buildings on the site, Mystic Educational Center has 13 buildings). The Agency has recently received adequate funding under the Department of Public Works Project #BI-2B-147 to actively pursue comprehensive building evaluations for the facilities under the Department of Public Works care and control. A request for five evaluations, including buildings in our test sample, is currently in process.

Conclusion:

The Department has developed a two-year plan for use, maintenance and project funding for buildings under its care and control. They have also complied with statutory requirements to submit long-range (minimum of five years) plans for agency facility needs. Additionally, the Agency has begun the process of completing comprehensive building condition reports for all of their facilities, including 10-year facility plans. This recommendation will not be repeated.

Item B. 6. - Vacant Buildings

Prior Audit Recommendation:

The State should establish formal written guidelines, as well as detailed procedures to assist State agencies in making decisions regarding use, reuse or demolition of vacant buildings. In addition, funding for this specific purpose should be identified.

Results of Current Review:

The new JESTIR real property inventory system accounts for buildings that are not in use and planned for demolition through data fields for each structure on the level of occupancy and the use, reuse or intended demolition of the structure. Reports are available on structures listed as vacant, or structures with vacant space. We reviewed the current status of the vacant buildings listed in the prior performance report. A majority of vacant buildings stemmed from the changes in the philosophy in the care of mentally ill and mentally retarded clients of the Department of Mental Retardation. As clients were mainstreamed, facilities and buildings were vacated and abandoned. The current review found that of the facilities listed in the prior performance report, three of the facilities are almost fully occupied, three facilities have been evaluated and marketed (with one already sold) for private development, two properties continue to be problematic in placing additional tenants due to existing clients, one property is slated to be demolished when funds become available, and another property was demolished in January of 2001. The measures taken in addressing the prior issues of vacant buildings has been aggressively pursued by the Office of Policy and Management.

Additionally, under Section 4b-23 of the General Statutes, all State agencies are required to report short and long-term facility needs to the Office of Policy and Management. This information is compiled as the State Facility and Capital Plan and is produced every two years, in sync with the State budget. As also discussed in item #1 above, the Office of Policy

and Management managers stressed that decisions on the use, reuse or demolition of State owned structures rest solely with the agencies that have custody and control of the structures. It is not within the statutory authority of the Office of Policy and Management, Office of the State Comptroller, or the Department of Public Works, to decide agency facility needs. Finally, in view of the recent economic climate in the State, specific funding for the demolition of vacant buildings is not considered a priority issue.

Conclusion:

The implementation of the JESTIR inventory system, including specific data on the level of use and intended demolition of structures, has resolved the basic issue presented in this recommendation. In addition, the active pursuit by the Office of Policy and Management of development and marketing of large vacant DMR facilities has resulted in marked progress in reducing the State's burden in this area. This recommendation will not be repeated.

Item B. 7. - State Excess Real Property

Prior Audit Recommendation:

Although improved policies and procedures at the individual agency level would strengthen the management of surplus real property within the State, at some point the disposition of all State surplus real property should be managed by one unit.

Results of Current Review:

As discussed in Item B. 1. above, we have had extensive discussions with agency managers at the Office of Policy and Management, Office of the State Comptroller and the Department of Public Works, on the identification and disposal of surplus real property by State agencies. Although various General Statutes exempt certain agencies (including but not limited to the Department of Transportation – Section 13a-80, subsection (a), of the General Statutes, the Department of Environmental Protection – Section 22a-26 of the General Statutes, the Department of Economic and Community Development – Section 8-37y, subsection (a), of the General Statutes, and the University of Connecticut – Section 10a-109d, subsection (7), of the General Statutes) from processing the sale of excess State-owned real property through the Office of Policy and Management, they must obtain the Office of Policy and Management approval for the sale or disposal. The Office of Policy and Management further noted that having all surplus sales and disposals managed by one unit would not be economically feasible, since no one State agency has the staff or financial resources to take full responsibility for all surplus State-owned real property.

Conclusion:

After further review, we have concluded that the statutorily required Office of Policy and Management approvals of all sales of excess State-owned real property is sufficient. Further, the substantial communication between real property holding agencies and the Office of Policy and Management concerning the identification and disposal of excess State-owned real property appears adequate to control the risks of errors and/or misstatements. We have

concluded that this centralized approval process appears satisfactory and that it may not be administratively or economically feasible to have one unit fully process the disposition of all State surplus real property.

Item B. 8. - The Department of Environmental Protection

Prior Audit Recommendation:

The Department of Environmental Protection should establish written policies and procedures for the management and disposal of surplus real property.

The Department should also propose legislation to include the sale of excess land not accompanying a structure. If legislation is not sought, then land that does not fulfill the Department's mission should be turned over to the Office of Policy and Management, to be treated as surplus real property.

Results of Current Review:

Although the Agency did not establish written policies and procedures for the management and disposal of surplus real property, some measures were taken to address this recommendation. The Department of Environmental Protection Land Exchange & Property Management Review Team was assembled to address land and property issues. This Review Team is a reactive committee that responds when the public comes to the Department of Environmental Protection for land or property issues and reports directly to the Commissioner. Members are in-house Department of Environmental Protection managers from various Bureaus and Divisions. Parties with land disputes concerning State owned real property, or parties interested in purchasing a parcel of State property can present their request to the Review Team for consideration. Each member reviews the issue presented and makes a recommendation. The Agency then acts on the Review Team's decision.

Residential properties are inventoried on the JESTIR system by the Department of Environmental Protection, Support Services Division and monitored by the Land Management Division and individual Divisions (i.e. Fisheries, Forestry, State Parks, etc) responsible for the facility that the residences are located on. Information contained in the JESTIR system will be periodically reviewed, as deemed necessary, by our audit staff during the regular agency audits.

In reference to the second part of this recommendation, Section 23-8, subsection (b) of the General Statutes, states that the goal of the State's open space acquisition program shall be to acquire land such that ten percent of the State's land area is held by the State as open space land and not less than eleven percent of the State's land area is held by municipalities, water companies or nonprofit land conservation organizations as open space land consistent with the provisions of Sections 7-131e to 7-131g, inclusive, of the General Statutes. Agency management noted that based on the need to meet statutory requirements to accumulate and

maintain ten percent of the State's land as open space, the Department rarely assesses real property as surplus and disposes of it.

Conclusion:

Although the Agency has a reactive, rather than a proactive system, that responds to public requests, but does not actively identify and market Agency-owned real property, buildings, or land; the recommendation calling for the establishment of written policies and procedures to manage and dispose of surplus property has not been implemented. Therefore, it will be repeated and made part of the recommendation calling for the establishment of a property survey plan. The identification, management and disposal of surplus real property would be a basic component of a plan for the survey of real property. (See Recommendation 1)

Item B. 9. - Legislative Action

Prior Audit Recommendation:

A mechanism should be implemented to keep the Legislature apprised of the status of property, which is to be, or has been, transferred or sold because of legislative action.

Results of Current Review:

Our follow up review included determining the current status of the legislatively conveyed properties listed in the prior performance audit report. Although we found that all cases had been satisfactorily resolved through conveyance of the property or further legislative action, there continued to be a lack of monitoring and tracking of legislative conveyances by the agencies or the Legislature. Additionally, the Legislative Program Review and Investigations Committee report issued December 17, 2001, discussed above, included a review of this area that resulted in reassertion of our prior audit recommendation. Their review found that although the tested transactions had been through the disposition process, and the required approvals obtained, none of the case files indicated whether the actual transfers had occurred.

Recommendation:

In view of the lack of creation and implementation of a monitoring system for legislatively conveyed properties, we will repeat our recommendation that the Department of Public Works and the Office of Policy and Management cooperatively establish a monitoring system for legislative conveyances and a mechanism to apprise the Legislature of the status of such property. (See Recommendation 3)

C. Surplus Real Property and Real Property Control Systems Report – Department of Transportation

Item C. 1. – 2-90 Follow-up Results – Department of Transportation Audit for the fiscal year ended June 30, 2000:

Prior Audit Recommendation:

The prior performance audit was followed-up as part of our routine audit of the Department of Transportation, performed under Section 2-90 of the General Statutes, for the fiscal periods ended June 30, 1999 and 2000. The performance report included six recommendations on the Department's handling of real property. Issues included;

- the lack of a comprehensive inventory of all real property with provisions to identify surplus property;
- the establishment of an Agency-wide policy for surplus property;
- active identification and marketing of surplus real property;
- needed simplification of the surplus property process;
- a reporting to central agencies of the value and amount of land and other real property purchased for highway purposes, that is leased to other parties; and
- an effort to have appraisals performed in a timely manner, if the appraisal value of the property is a critical factor in the sale price of real property.

Results of Current Review:

The follow-up of these issues was performed during the Spring of 2001. Results were as follows;

- A comprehensive inventory of all real property with provisions to identify surplus property – Some progress has been made, but this is a large task that will take years to complete. Increased Governmental Accounting Standards Board reporting requirements include reporting real property (whether it is infrastructure or not), thus a complete inventory is necessary and should be completed as expeditiously as possible.
- An Agency-wide policy for the early identification of surplus property has not yet been established.
- Within the Agency resources available and the real estate economic climate, the Rights of Way Unit has made progress in the marketing and selling of property that was already identified as surplus.
- The Department of Transportation has not requested any legislative action to change the statutory requirements to eliminate some of the steps required in the disposal of surplus real property.
- The Rights of Way Unit now reports all leased real property to the State Comptroller and the Office of Policy and Management.
- The property appraisal continues to be a statutory requirement, and may be performed over a year prior to the sale of the real property.

The lack of substantial progress in addressing the performance audit recommendations resulted in a finding in our audit report of the Department, for the fiscal year ended June 30, 2000, as follows:

The Department should complete the inventory of real property that is currently in progress. That inventory should include all property that has not been made part of the highway infrastructure. The Department should also implement statutory, policy and procedural changes that would expedite the process for identifying and disposing of surplus real property.

Results of Current Review:

The Department of Transportation management noted that the level of surplus real property had been drastically reduced in the past few years, due to a number of legislative conveyances of such properties to towns and others. The Department provided a list of Special and Public Acts of the General Assembly, and the detail on properties conveyed by the Acts. The Department of Transportation now reports all real property (less highway infrastructure) to the Comptroller's Office by acreage and value. It also reports real property under lease by building and value within its annual asset report to the Comptroller. The Department of Transportation was aware of the implications of the new GASB 34 standard requiring reporting of all real property (including infrastructure).

Conclusion:

Based on the follow-up review and resulting combined recommendation included within the Department's routine audit, and the current follow-up examination, the prior performance audit findings and recommendations will not be repeated in this report.

Recommendations

- 1. The Department of Environmental Protection should develop a plan to survey all State-owned land. This plan should include policies and procedures for identifying, managing and disposing of surplus real property.**

Comments:

A plan to survey the State's land over a period of time, thereby spreading the cost out, was not developed by the Department of Environmental Protection. Accurate information on the State's land holdings is essential to protecting State assets and making the most informed decisions. Such information is also necessary to evaluate the State's compliance with statutory requirements for open space under Section 23-8 of the General Statutes.

Additionally, written policies and procedures were not established for the management and disposal of surplus real property. Proper identification and management of surplus real property is also a necessary component in the Agency's evaluation for compliance with Section 23-8 of the General Statutes.

Agency's Response:

Department of Environmental Protection;

"Since the mid 1980's, with few exceptions, the Department of Environmental Protection has obtained a property survey done to Class A-2 accuracy for acquisitions. Approximately 275 parcels totaling approximately 21,415 acres have been acquired with surveys. During the 1970's prior to our initiating a requirement that all acquisition be surveyed, acquisitions sometimes were surveyed. Prior to the 1970's surveys of the Department of Environmental Protection's land acquisitions were not typically produced. Realistically, there are approximately 180,000+/- acres for which no survey may exist. A review of survey costs over the past five years suggests that it would total over \$23.4 million, at today's prices, to survey 180,000+/- acres. The rate at which this acreage can be surveyed is somewhat dependent on the funds made available, but it would be prudent to anticipate that surveying 180,000+/- acres, based on doubling current contract activity would take approximately 60 years (i.e. 3,000 acres per year) at a cost of \$390,000 per year.

The Department of Environmental Protection is currently negotiating a contract to inventory open space land in Connecticut. This inventory will include the Department of Environmental Protection property. The inventory will give us a "broad picture" of open space ownership throughout Connecticut. This inventory could be used as the basis for a program to survey all the Department of

Environmental Protection land. The inventory program is anticipated to be completed in three years.

Recently, the Department of Environmental Protection conducted a review of existing residences and identified eight houses for possible sale pursuant to Section 26-3b(b) of the General Statutes of Connecticut. The referenced houses, if disposition is pursued, will be appraised to establish an estimated sale price. The property will be advertised for sale to the general public and sold by quitclaim deed with the approval of the State Properties Review Board, the Governor, and approval as to form by the Attorney General. Other than these specific properties, the Department of Environmental Protection does not generally feel that the property under the Department of Environmental Protection custody and control is surplus to the open space goals established by Section 23-8(b) of the General Statutes of Connecticut.”

Auditors’ Concluding Comment:

Although the Department of Environmental Protection did not feel that property under the Department of Environmental Protection custody and control was surplus to the open space goals, policies and procedures for the proper identification and management of surplus real property, as in the case of the eight properties discussed in the Department’s response, would be a necessary component in the Agency’s evaluation for compliance with open space requirements under Section 23-8 of the General Statutes. The implementation of the Agency directive on the “Sale of Department Managed Buildings/Houses”, dated August 23, 1996, includes the purpose of “establishing (1) the methodology to be used by the Department in determining whether any house/building managed by the Department should be sold and (2) the principles to be employed in making such a decision.”

2. Criteria or standards should be developed for defining “surplus” and “marginal use” property.

Comments:

Clearly defined standards and criteria for identifying surplus and marginal use of State owned property have not been established. Improved identification of surplus State property would enhance the State’s planning and strategizing in disposing of surplus property. Municipalities could be provided with advance notice of the possible availability of State property in their regions. Standards and criteria created by the Office of Policy and Management, in cooperation with the Office of the State Comptroller and the Department of Public Works, for identifying surplus property need not involve dictating which properties should be designated as surplus, however, basic guidelines should be established, and should be enforced at all agencies that have custody and control of State owned properties.

Agency Responses:

Office of Policy and Management;

“We are in agreement and will work to develop standards for defining ‘surplus’ and ‘marginal use’ property that agencies can utilize on an ongoing basis to categorize and manage properties under their custody and control.”

Department of Public Works’;

“The Department of Public Works concurs. As recommended, the Department and the Office of Policy and Management will work together to create the appropriate standards. The Department, the Office of Policy and Management and the Office of the State Comptroller have worked jointly to develop the JESTIR building inventory system. The standards for defining surplus and marginal use property will be included in the JESTIR system.”

Office of the State Comptroller;

“The Office of the State Comptroller would be willing to continue the collaboration with the Office of Policy and Management, Property Management Division and the Department of Public Works to develop criteria or standards for defining ‘surplus’ and ‘marginal use’ property.”

- 3. The Department of Public Works and the Office of Policy and Management should cooperatively establish a monitoring system for legislative conveyances and an adequate mechanism to keep the Legislature apprised of the status of such properties.**

Comments;

Our review disclosed the continued lack of creation and implementation of a monitoring system for State owned real properties, which are to be, or have been, transferred or sold due to legislative directives.

Agency Responses:

Office of Policy and Management;

“While we agree with the premise of this recommendation, that a system to monitor the status of legislative conveyances should be established, we do not believe that the Office of Policy and Management is necessarily the appropriate agency for this function, and that there may be alternative mechanisms with which to track this information. The legislative conveyance of State property is a

process that does not require our approval and therefore, our office is typically not involved in this process. In addition, the Department of Public Works only has involvement if the property is under Public Works custody and control.

The agencies involved in this process are: 1) The State Agency with custody and control of the property; 2) The State Properties Review Board; and 3) The State Treasurer. Legislative conveyances typically require the State agency having custody and control of said property to develop a proposed conveyance agreement that must be reviewed and approved by the State Properties Review Board. After Board approval, the State Treasurer is required to execute and deliver the deed necessary for the conveyance. The two central points of review and processing are the State Properties Review Board and the State Treasurer.

It is our belief that requiring the Office of Policy and Management to develop and implement a monitoring and reporting system as contemplated in your preliminary findings would not be as effective or efficient as it would be if appropriately implemented in conjunction with the agencies with actual responsibility for the conveyance. However, we would like the opportunity to implement discussions with agencies that have involvement with the process to develop some agreement on an effective mechanism to track these legislatively mandated conveyances. Our thought is that alternatives should look only prospectively, and focus on the compilation of the initiation and conclusion of conveyances.”

The Department of Public Works;

“The Department of Public Works concurs. As recommended, the Department and the Office of Policy and Management will work together to create a monitoring system for legislative conveyances. The Department of Public Works would like to note that timeliness in completing these transactions is complicated by both the internal procedures of the municipality involved with each conveyance, and by the potential environmental issues related to some conveyances.”

Auditors’ Concluding Comments:

The Office of Policy and Management is one of the principal executive agencies in the state. Although the Office may not be the optimum agency to administer a tracking system for legislative real property conveyances, it should ensure that such a system is implemented in the most appropriate manner.

CONCLUSION

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the officials and staff of the Office of Policy and Management, the Department of Public Works, the Office of the State Comptroller, and the Department of Environmental Protection.

Patricia L. Mulroy
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
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