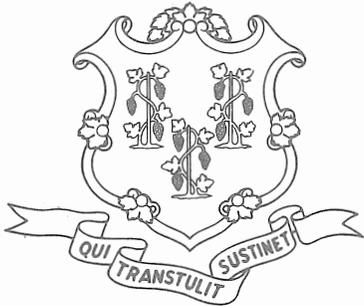


**Department of  
Administrative  
Services  
Space Acquisition**

**Connecticut  
General Assembly**



**LEGISLATIVE  
PROGRAM REVIEW  
AND  
INVESTIGATIONS  
COMMITTEE**

May 1986

CONNECTICUT GENERAL ASSEMBLY

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 as the Legislative Program Review Committee to evaluate the efficiency and effectiveness of selected state programs and to recommend improvements where indicated. In 1975 the General Assembly expanded the committee's function to include investigations and changed its name to the Legislative Program Review and Investigations Committee. During the 1977 session, the committee's mandate was again expanded by the Executive Reorganization Act to include "Sunset" performance reviews of nearly 100 agencies, boards, and commissions, commencing on January 1, 1979. Review of the original schedule of sunset entities was completed in 1984. Review of the list will begin again in 1988.

The committee is composed of 12 members. The president pro tempore of the senate, the senate minority leader, the speaker of the house, and the house minority leader each appoint three of those members.

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PERFORMANCE AUDIT

DEPARTMENT OF ADMINISTRATIVE SERVICES:  
SPACE ACQUISITION

LEGISLATIVE PROGRAM REVIEW AND  
INVESTIGATIONS COMMITTEE

MAY 1986



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## SUMMARY

In reviewing the state's space acquisition process, the Legislative Program Review and Investigations Committee examined the system used to identify space needs and the implementation of projects that resulted from that planning process. The Facility and Capital Plan (FACCAP) is the state's five-year plan that identifies space needs and determines how they will be met (i.e., through leasing or purchase/construction of a facility). The FACCAP is developed annually by the Office of Policy and Management (OPM) and the Department of Administrative Services (DAS) based upon space requests submitted by all state agencies. Implementation of FACCAP projects is the responsibility of DAS.

To examine the FACCAP planning process, the program review committee analyzed projects in four successive plans, surveyed state agencies about their role in the process, and interviewed personnel from OPM and DAS responsible for developing FACCAP. Analysis of the four FACCAPs indicated that projects are frequently added to the capital budget without having appeared in a previous plan, that many projects are dropped from the plan, and that projects routinely shift backward and forward in the plan. The committee believes that these problems are a result of the inappropriate and diffused roles of the agencies that develop FACCAP. Each state agency is responsible for identifying its own space needs and proposing how best to meet those needs. Many state agencies, however, do not have the staff capability to properly assess their needs or analyze the optimal way to meet those needs.

The Department of Administrative Services is responsible for determining the technical feasibility of agency-proposed projects and assessing the accuracy of cost estimates. In practice, however, DAS has only provided technical input when requested by OPM. This reflects the general DAS philosophy that they are a service agency and that they provide technical assistance only when a client agency requests it.

The Office of Policy and Management's role in the FACCAP process is that of the decision maker. However, there is no clear decision point at which the state analyzes whether space should be leased or owned, as responsibility for this decision is diffused between OPM and DAS. The role of OPM as decision maker also results in a plan that is heavily influenced by budgetary considerations. Since the capital budget precedes FACCAP, the first year of the plan is dictated by budget decisions, thus rendering the first year planning process meaningless.

The committee's recommendations are intended to improve FACCAP's utility as a planning document by more clearly defining the roles and responsibilities of OPM, DAS, and the agencies, and

by separating FACCAP from the capital budget process. These recommendations would establish DAS as technical advisor to OPM and client agencies. In this role, DAS would be responsible for evaluating each requested capital project, actively providing technical assistance to agencies, and determining if proposed leases were the appropriate method to satisfy space needs.

The recommendations would retain OPM as decision maker. After evaluating DAS technical input, policy considerations, and financial constraints, OPM would decide what project requests would be granted. Budgetary influences on FACCAP would be lessened by providing for the finalization of FACCAP before the development of the capital budget. The role of the requesting agencies would remain the same, but DAS would be required to provide technical assistance to any agency that submitted project requests found by DAS to be inadequate.

To review the implementation of projects contained in FACCAP, the committee examined a sample of 31 leases, 11 purchases of facilities, and 12 construction projects. The acquisition projects reviewed by staff lacked consistency in the reports and analyses required before a purchase could be completed. In both the acquisition and construction projects, the connection between the bond authorization and the project it funded was sometimes tenuous. Committee recommendations would require a standard procedure for acquisitions and provide a sunset date for bond authorizations.

In a review of leases, the committee found that errors and nonadherence to procedures were common, and that the lease process was overly long and inadequately documented. Recommendations are designed to improve supervision through quality control and a lease tracking system, and shorten the time needed to process renewal leases. The recommendations would also provide better documentation of site selection and negotiation and eliminate duplicative approvals.

#### RECOMMENDATIONS

1. The DAS' role as a technical advisor in the FACCAP process should be clarified by amending C.G.S. Sec. 4-26b to require DAS to:
  - o review all FACCAP capital program requests to determine if projects are justifiable and adequately documented;
  - o send OPM a list of projects that should not be included in FACCAP due to lack of documentation and/or justification; and

- o provide technical assistance to agencies that have submitted projects found to be inadequate.
2. C.G.S. Sec. 4-26b should be amended to require DAS to analyze FACCAP lease requests to determine if buying or constructing a facility would be an economical alternative to leasing. The findings of DAS' analysis shall be included in FACCAP along with the number of years the specific space need has been met through leasing.
  3. C.G.S. Sec. 4-26b should be amended to provide for publication of FACCAP by September 1 of each year.
  4. The Connecticut General Statutes should be amended to require bond authorizations for space-related capital projects to include a sunset date to terminate the authorization if construction does not begin within 10 years. The Office of Policy and Management should be required to compile a list of outstanding authorizations and report to the General Assembly by January 1, 1988, on all space-related projects over 10 years old and the appropriate bond acts should be amended to delete these authorizations if construction has not yet begun.
  5. C.G.S. Sec. 4-26b(c) should be amended to eliminate review and comment on FACCAP by the State Properties Review Board.
  6. C.G.S. Sec. 4-26(a) should be amended to provide a simplified and consistent procedure for DAS to follow in acquiring legislative approval to purchase property.
  7. C.G.S. Sec. 4-26b(e) should be amended to clarify the responsibilities of the DAS commissioner in implementing FACCAP projects and the role of the State Properties Review Board in approving implementation actions taken by the commissioner.
  8. The Department of Administrative Services should develop a formal procedure prescribing the process to be followed in purchasing real property. At a minimum, this procedure should require:
    - o a report on the compliance of any structure to be purchased with building and fire codes, including the estimated cost of any renovations needed to meet codes;
    - o an engineering inspection to determine the structural integrity of any buildings and assess the condition of their electrical, plumbing and heating, ventilation and air conditioning systems.

- o data on the energy efficiency of any building to be acquired;
- o two independent appraisals of the property;
- o documentation of any negotiations with the property owner; and
- o an analysis of alternatives to the purchase of the property and reasons why the subject property was chosen.

9. The Bureau of Public Works should:

- o require thorough documentation of the site selection and negotiation process for each lease;
- o establish a formal quality control system to provide review of all lease proposal outlines and leases before they are sent outside the section;
- o develop specific time standards for the various steps within each phase of the lease process;
- o institute a lease tracking system to monitor the progress of leases and compare processing times to the standards to be established for each step in the lease process; and
- o evaluate the performance of each agent at least monthly using the information obtained from the quality control and lease tracking systems. Continued substandard performance should result in either training or disciplinary action.

10. The lease management function should be strengthened and removed from the Leasing Section. Therefore, C.G.S. Sec. 4-128 should be amended to:

- o clarify that primary responsibility for the lease management function (i.e., ensuring that lessors comply with lease terms) shall reside with the Department of Administrative Services, and there shall be an inspection of leased property for conformance with the terms of the leases at least annually;

- o require DAS to provide the State Properties Review Board with an annual statewide compliance report based on their inspections; and
  - o prohibit the Leasing Section from performing any of the department's lease management activities.
11. An expedited process for renewal of existing leases should be created in statute to reduce the leasing workload and thereby cut down on the number of holdover leases. The process should be similar to that currently used to exercise a renewal option.
12. C.G.S. Sec. 4-26b should be amended to require:
- o DAS to review all lease requests in FACCAP scheduled to begin during the first year of the plan and provide OPM with an estimate of the gross cost and square footage needed;
  - o OPM to provide the requesting agency, DAS, and the State Properties Review Board with the approved gross cost;
  - o DAS to submit to OPM for approval only those negotiated lease proposals that exceed the approved cost or exceed the approved square footage by at least 10 percent; and
  - o OPM to act on lease proposals within 10 working days or the proposal is deemed approved and may be forwarded to the State Properties Review Board.
13. C.G.S. Sec. 4-26b(j) should be amended to require that when an agency's space request is not in accordance with FACCAP, the secretary of the Office of Policy and Management must certify in writing the emergency need for the space before the Department of Administrative Services can act on a site search.
14. C.G.S. Sec. 4-127c should be amended to clearly indicate that in searching for leased space, the Department of Administrative Services shall not limit itself to property owners who respond to specific newspaper advertisements. The department should maintain and continuously update an inventory of potential space to lease.
15. The Office of Policy and Management, the Department of Administrative Services, and the State Properties Review Board should be required to promulgate regulations by January 1, 1988, indicating the procedures followed by each in carrying

out the state's leasing activities. The agencies shall consult with each other in developing the regulations, which shall specify for each decision point (i.e., the point at which an approval is given to proceed to the next step) what information will be required, who will provide it, and on what the decision will be based.

16. All Bureau of Public Works property management agents and their immediate supervisors shall be subject to the same restrictions on outside activities as employees of the State Properties Review Board (C.G.S. Sec. 4-26f). The restrictions would:

- o prohibit holding of another state or municipal position;
- o prohibit direct involvement in any enterprise doing business with the state;
- o prohibit direct or indirect involvement in any enterprise concerned with real estate acquisition or development; and
- o require filing a financial statement indicating all sources of business income and business affiliations of such person and his or her spouse.

Prior to the implementation of these restrictions, a review of the affected positions should be undertaken and, if necessary, reclassifications should be made to adjust for the loss of financial opportunities.

17. The Leasing Section should undertake a review of the distribution of work among agents to ensure that the workload allocation is equitable.

## Introduction

In April of 1985, the Legislative Program Review and Investigations Committee authorized a two-phase performance audit of the Bureau of Public Works (BPW). Phase one is a study of the bureau's role in the space acquisition process, while phase two will examine its performance in the maintenance of state buildings.

This first report contains the committee's findings and recommendations concerning the space acquisition process. Space acquisition is defined by the committee as acquisition of office space for state agencies by lease, purchase, or construction. Since a study of the actual construction phase of state projects was completed in January 1985 by the accounting firm of Deloitte, Haskins and Sells for the Finance, Revenue and Bonding Committee, the program review committee only examined construction projects from their initiation in the Facility and Capital Plan until Bond Commission approval of funds to begin construction.

The Department of Administrative Services Bureau of Public Works is responsible for implementing space acquisition projects by leasing space, purchasing buildings, or managing construction projects. Although the bureau is responsible for implementation, the committee found that it could not evaluate the bureau's performance without consideration of the roles played by other agencies involved in space acquisition. The Office of Policy and Management, the State Properties Review Board, the Office of the Attorney General, and client agencies all play roles in the process and thus impact the bureau's performance. Although the bureau was the focus of this study, some of the findings and recommendations affect these other agencies as well.

Department of Administrative Services. The mission of the Department of Administrative Services is "to provide in a responsive and cost-effective manner a broad range of services, resources, supplies, equipment, and facilities to the operating departments of the state." The department is organized into five bureaus plus a group of centralized staff support units located within the commissioner's office. In addition to the Bureau of Public Works, the department contains Bureaus of Purchasing, Personnel and Labor Relations, Collection Services, and Information Systems and Data Processing. The centralized staff support units within the Office of Commissioner provide the five bureaus with services in the fields of accounting, purchasing, personnel, budgeting and management, data processing, planning and technical support, and public information. The commissioner's office also conducts internal audits of bureau activities and lets bids for public works contracts.

Bureau of Public Works. The Bureau of Public Works is responsible for most of the department's duties in the space acquisition

process. The organizational structure of the bureau and the Office of Commissioner is illustrated in Figure 1 on page 3. The staffing and state FY 85 expenditures of the sections within the bureau are illustrated in Table 1. Of the \$23.3 million expended by the

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Table 1. Allocation of Resources Within the Bureau of Public Works.

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<u>Division</u>	<u>Staff</u>	<u>State FY 85 Expenditures[1]</u>
Management Services[2]	18 (5%)	\$ 596,618 (3%)
Fac. Design & Const.	112 (31%)	5,052,583 (22%)
Buildings & Grounds	219 (61%)	12,035,667 (52%)
Leasing	8 (2%)	5,635,850* (24%)
	<hr/>	<hr/>
TOTAL	357	\$23,320,718

[1] Includes an estimated \$3,835,994 in fees charged to bonded projects.

[2] Includes Office of Deputy Commissioner.

\* Includes \$5,353,659 in rents and moving expenses paid by DAS on behalf of client agencies.

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bureau, \$19.5 million were general funds and \$3.8 million were fees charged to bonded projects. The shaded boxes in Figure 1 identify sections within the bureau that are actively involved in those aspects of the space acquisition process that are examined in this study.

The leasing section is composed of a supervisor, four leasing agents, and two secretaries. The section locates space and negotiates leases throughout the state on behalf of the agencies that will use the space. There are over 300 state leases negotiated by the bureau with annual rentals totalling more than \$16 million.

The Management Services Division consists of four units, three of which are involved in space acquisition. The Long-Range Planning Unit serves as the focal point of the bureau's involvement in the Facility and Capital Plan by reviewing project requests submitted by state agencies. The unit also maintains an inventory of all state-owned and leased property as well as a listing of unused and underutilized state property. The Project/Program Planning Unit assists agencies in developing capital projects that will meet

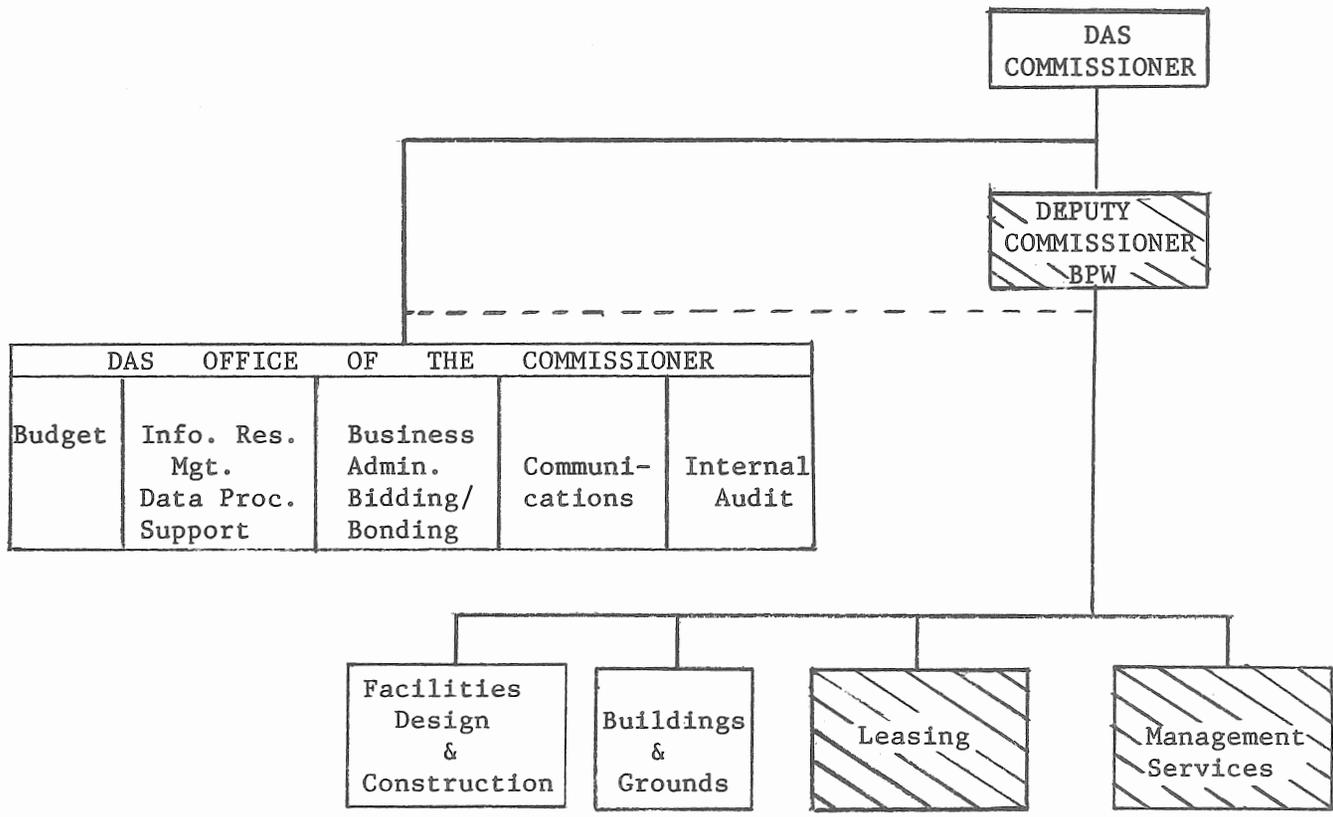


FIGURE 1

DEPARTMENT OF ADMINISTRATIVE SERVICES  
 BUREAU OF PUBLIC WORKS  
 5-16-85

program needs, and handles acquisition, disposal, and transfers of land. The Project Support Unit prepares agency requests for bond funds for submission to the Bond Commission.

The remainder of this report presents description and analysis of, and findings and recommendations on the space acquisition process.

## CAPITAL PROJECTS

### Description

The state outlines its space-related capital projects in the Statewide Facility and Capital Plan. This five year plan is produced annually by the Office of Policy and Management and the Department of Administrative Services based upon capital project and lease requests submitted by state agencies. The FACCAP development process is outlined in C.G.S. Section 4-26b and is illustrated in Figure 2.

State agencies identify their space needs and request leases or capital projects to meet these needs. Agency requests are reviewed by DAS for technical feasibility and the accuracy of cost estimates. The Office of Policy and Management evaluates the requests for consistency with agency programs and assesses the budgetary and policy implications of requested projects. The office also reviews agency operating and capital budget requests at the same time FACCAP is being prepared. The decision about which projects are included in FACCAP and the capital budget rests with OPM.

A draft of the Facility and Capital Plan must be sent jointly by OPM and DAS to the State Properties Review Board by January 1 each year. The properties review board has 30 days to comment on the plan, which is then submitted to the governor. The governor must submit the plan to the legislature by March 15, approximately one month after presentation of the capital budget.

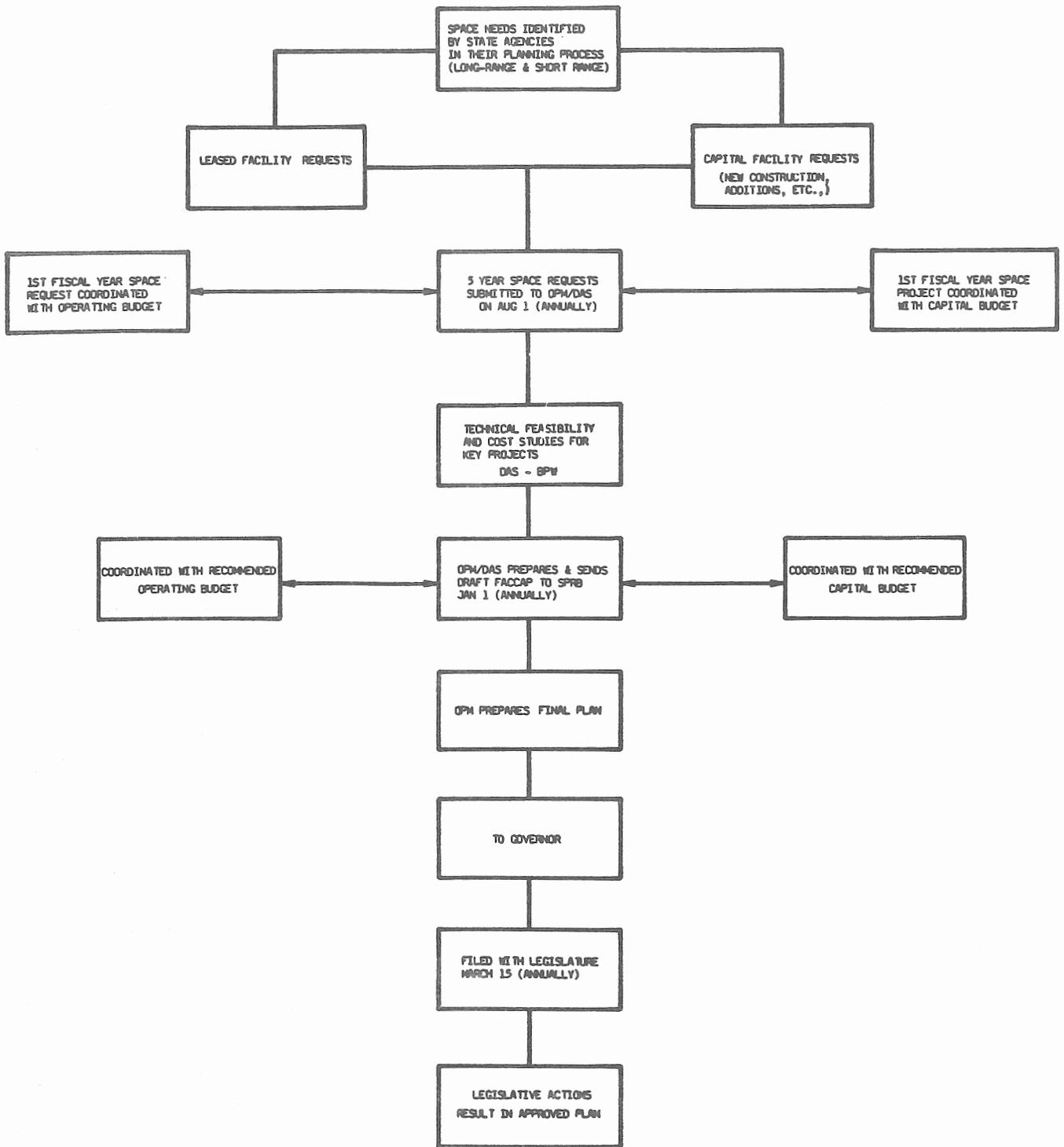
The legislature does not act formally on the entire Facility and Capital Plan. Legislative approval of the operating budget (for leases) and various bond acts (for capital projects) determines which FACCAP projects are funded.

Once bonding is authorized for a capital project, the sponsor agency may request allocation of bond funds from the Bond Commission. The Bond Commission, which is made up of 10 legislative and executive officials, meets monthly to decide which projects will be allocated bond funds. Once bond funds have been allocated, implementation of the project may proceed.

The Department of Administrative Services is primarily responsible for implementation of space-related capital projects and leases. A description of the lease implementation process begins on page 19. Space-related capital projects are initiated when agencies submit a request for allocation of bond funds to the Bureau of Public Works. The bureau reviews each request to determine if the documentation provided by the agency indicates that it is prepared to begin the project. Once DAS approves the agency request, it is sent to OPM, which serves as secretariat to the Bond Commission.

FIGURE 2

FACCAP PREPARATION PROCESS



FACCAP STATEWIDE FACILITY & CAPITAL PLAN  
 OPM OFFICE OF POLICY AND MANAGEMENT  
 DAS DEPARTMENT OF ADMINISTRATIVE SERVICES  
 BPM Bureau of Public Works

The Bond Commission, through its control over the release of funds, is the final authority in the initiation of a capital project.

Analysis and Findings

The program review committee analyzed the four most recent Facility and Capital Plans to examine the efficacy of the capital planning process. If the five-year planning process is accurately predicting facility needs, capital projects should appear in the fifth (last) year of the plan and move up each year thereafter until they are in the first year covered by the plan and, concurrently, become part of the governor's capital budget.

The results of the analysis suggest that FACCAP is not operating as intended. This is illustrated in Table 2, which shows the actual status of the 138 items scheduled in the plans for inclusion in the governor's FYs 83-86 capital budgets. Of these projects, only 13 percent went into the capital budget as scheduled in FACCAP, while 20 percent were dropped.

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Table 2. Budget Status of FACCAP Items Scheduled for Inclusion in FYs 1983-86 Capital Budgets.

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<u>Status</u>	<u>Number of Items</u>	<u>Percent of Items</u>
Accelerated	65	47.1%
As scheduled	18	13.0%
Combined with other projects	9	6.5%
Decrease in amount	6	4.4%
Increase in amount	3	2.2%
Delayed	3	2.2%
Project split into phases	2	1.4%
Dropped	28	20.3%
Delayed	2	1.4%
Other	2	1.4%
TOTAL	<u>138</u>	99.9%

---

The large number of projects that were accelerated (47.1%) can be attributed in part to projects being put into the capital budget and concurrently being placed for the first time in FACCAP. Of the 103 items that appeared for the first time in any of the 1983-85 FACCAPs, 34 (33%) were placed in the capital budget at the same time. This practice has become more common in recent years, as illustrated in Table 3.

Table 3. Projects Budgeted During First Year in FACCAP.

<u>Fiscal Year</u>	<u>Number of Items in FACCAP for the First Time</u>	<u>Number Placed Concurrently in Capital Budget</u>	<u>Percent</u>
1983	47	5	10.6%
1984	20	6	30.0%
1985	<u>36</u>	<u>23</u>	63.9%
TOTAL	103	34	33%

Consistency from one plan to the next was also examined. Of the 127 items that could be compared from one plan year to the next, only 44 (34.6%) appeared in the second plan as previously recommended or with only a change in cost. Table 4 depicts the changes that occurred from one FACCAP to the next.

Table 4. Comparison of FACCAP Items From Year to Year--1982-84 FACCAPS.

<u>Status in Second Year</u>	<u>Number of Items</u>	<u>Percent of Items</u>
As scheduled	39	30.7%
Delayed	33	26.0%
Dropped	21	16.5%
Accelerated	13	10.2%
Scope enlarged	8	6.3%
Cost reduced	5	3.9%
Combined	4	3.1%
Not requested	<u>4</u>	<u>3.1%</u>
TOTAL	127	99.8%

The lack of consistency can also be seen graphically in Figures 3 and 4, which show the cost of projects for the two fiscal years that are included in each of the four FACCAPS examined. In the most extreme case, the cost of projects scheduled for FY 86 went from \$35

FIGURE 3 - FACCAP PROJECTIONS FOR FY 86

### FACCAP 1982-1985

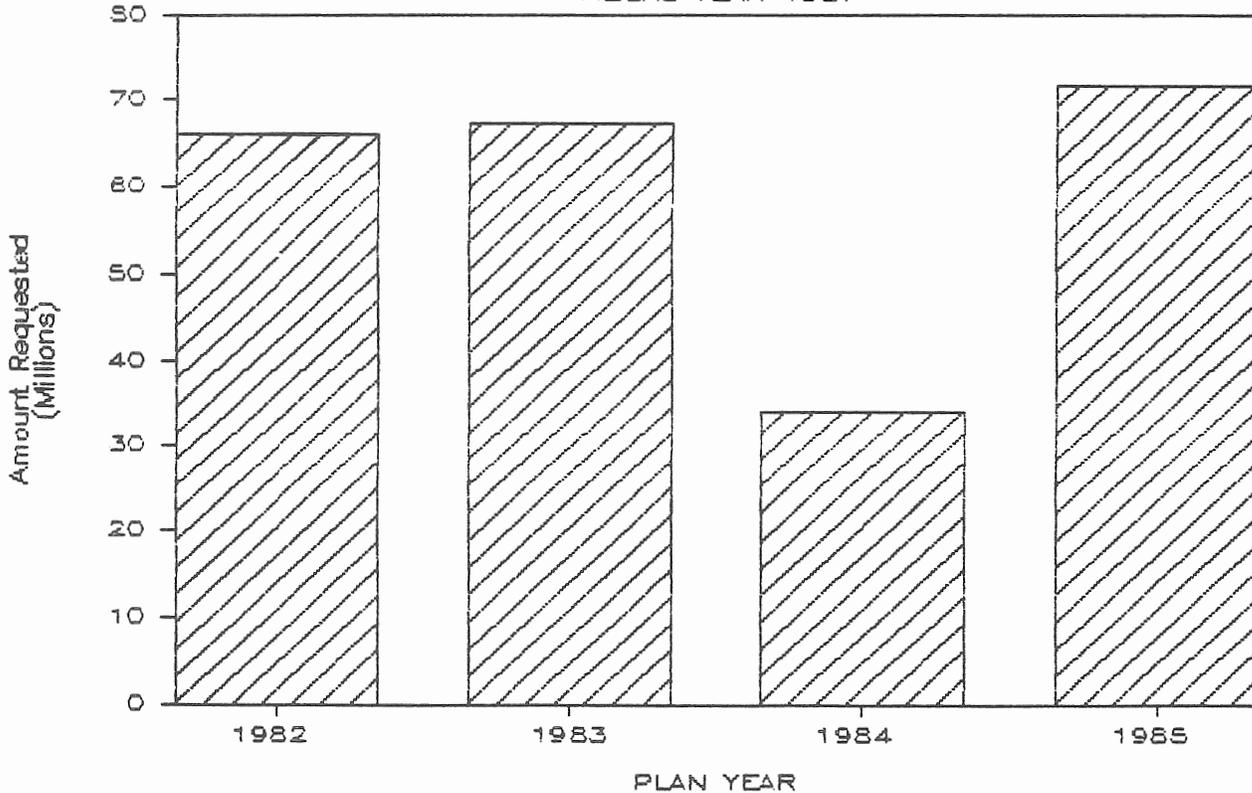
FISCAL YEAR 1986



FIGURE 4 - FACCAP PROJECTIONS FOR FY 87

### FACCAP 1982-1985

FISCAL YEAR 1987



million in the 1982 plan to \$86 million in 1983, back down to \$37 million in 1984 and then up again to \$95 million in 1985. Thus, even using a gross measure such as total cost for all projects scheduled in a given year, the plan was found to lack continuity.

Once a project has progressed through FACCAP and is included in the governor's capital budget, legislative authorization for funding must be obtained. To determine how FACCAP projects fared in the budget process, the program review committee analyzed capital budgets and legislative bond authorizations for fiscal years 1983 through 1986.

Of the 403 items in the capital budgets for this period, 133 (33%) were space-related projects. Other types of capital projects included transportation, grants-in-aid, equipment, revolving or loan funds, and repairs or renovations that did not result in a new use of space. Eight (6%) of the space-related projects in the capital budgets were not from the facility plans. Table 5 shows, by project type, the number and percent of capital budget items that received legislative approval.

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Table 5. Legislative Approval by Project Type--FYS 83-86.

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<u>Project Type</u>	<u>Projects in the Capital Budget</u>	<u>Approved by the Legislature</u>	<u>Percent</u>
Space-related	133	123	92.5%
Transportation	34	28	82.3%
Grants-in-aid	46	46	100.0%
Renovations/repairs	117	111	94.9%
Equipment	18	18	100.0%
Loan/revolving funds	13	12	92.3%
Agricultural preservation	3	3	100.0%
Other	39	39	100.0%
	<hr/>	<hr/>	<hr/>
TOTAL	403	380	94.3%

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It is important to note that although only 23 projects were rejected by the legislature, 10 (43.5%) of these were space related projects.

Table 6 presents information on the amount of funding requested in the capital budget and the amount authorized by the legislature for projects in the capital budget. Among the various types of projects in the governor's capital budget, space-related items fared the poorest in terms of the percentage of requested funds actually approved.

Table 6. Funding by Project Type for Capital Budget Projects--  
FYS 83-86.

<u>Project Type</u>	<u>Amount Requested in Capital Budget (Millions)</u>	<u>Amount Approved by Legislature (Millions)</u>	<u>Percent</u>
Space-related	\$ 331.8	\$ 273.0	82.3%
Transportation	672.9	661.2	98.3%
Grants-in-aid	258.8	252.6	97.6%
Renovations/repairs	95.8	93.5	97.6%
Equipment	10.8	10.8	100.0%
Loan/revolving funds	24.0	25.2	105.0%
Agricultural preservation	15.0	13.0	86.7%
Other	34.4	30.6	88.9%
TOTAL	\$1,443.5	\$1,359.9	94.2%

The legislature also authorizes bond funds for projects not included in the governor's capital budget. Table 7 depicts the number and types of projects approved by the legislature that were not in the capital budget.

Table 7. Number and Project Type Approved by Legislature Not In Capital Budget--FYs 83-86.

<u>Project Type</u>	<u>Total Items Approved</u>	<u>Non-Capital Budget Items Approved</u>	<u>Percent</u>
Space-related	141	18	12.8%
Transportation	38	10	26.3%
Grants-in-aid	82	36	43.9%
Renovations/repairs	126	15	11.9%
Equipment	24	6	25.0%
Loan/revolving funds	29	17	58.6%
Agricultural preservation	4	1	25.0%
Other	67	28	41.8%
	<hr/>	<hr/>	
TOTAL	511	131	25.6%

As the table illustrates, the legislature has added a relatively small percentage of space-related items as compared to other types of projects. Table 8 presents the funding of non-capital budget items that were approved by the legislature.

Table 8. Funding for Items Not in the Capital Budget--FYs 83-86.

<u>Project Type</u>	<u>Total Funding Approved (Millions)</u>	<u>Funding for Non- Budget Items (Millions)</u>	<u>Percent</u>
Space-related	\$ 361.4	\$ 88.4*	24.5%
Transportation	734.4	73.1	9.9%
Grants-in-aid	284.1	31.5	11.1%
Renovations/repairs	113.6	20.1	17.7%
Equipment	31.6	20.7	65.5%
Loan/revolving funds	64.3	39.1	60.8%
Agricultural preservation	13.5	.5	3.7%
Other	84.9	54.3	64.0%
	<hr/>	<hr/>	
TOTAL	\$1,687.8	\$327.7	19.4%

\* Includes a \$51 million authorization for the legislative office building.

## Recommendations

Technical review. As discussed in the previous section, the committee found that projects were frequently put into the capital budget without having appeared in a prior FACCAP and that many projects are dropped or shifted backward or forward in the plan. The committee believes that the instability of FACCAP projects is the result of inappropriate and diffused roles in the FACCAP development process. Agencies are responsible for identifying their space needs and proposing leases or capital projects to satisfy those needs. The committee found, however, that many agencies are ill-equipped to fulfill this capital planning role. Both DAS and OPM stated at a committee hearing that the capital planning capabilities of the agencies (and thus the quality of their proposed projects) varied considerably. In a committee survey of state agencies, 50 percent of the agencies with a designated person responsible for capital planning indicated that that person had no prior experience in the field. (See Appendix C.)

Since agency expertise varies, a quality control mechanism is needed to ensure that ill-conceived projects are not included in FACCAP. A quality control process would also identify agencies in need of technical assistance in proposing FACCAP projects. The department is responsible for analyzing the technical feasibility of agency-proposed projects and reviewing cost estimates. In practice, however, DAS has only provided technical input when requested by OPM. For the 1986-1991 FACCAP, DAS provided input on 57 (33%) of the 171 capital projects for which funding was requested in the plan. This is consistent with DAS philosophy that it is a service agency and only provides assistance when requested. The committee believes DAS needs to be proactive in identifying agencies that need assistance in developing capital projects.

Therefore, the Legislative Program Review and Investigations Committee recommends DAS' role as a technical advisor in the FACCAP process be clarified by amending C.G.S. Sec. 4-26b to require DAS to:

- o review all FACCAP capital program requests to determine if projects are justifiable and adequately documented;
- o send OPM a list of projects that should not be included in FACCAP due to lack of documentation and/or justification; and
- o provide technical assistance to agencies that have submitted projects found to be inadequate.

Lease vs. buy/build. DAS technical expertise is also needed in analyzing whether leases are the optimal method of meeting space needs. In looking at the FACCAP process, the committee found that the responsibility for evaluating whether leasing was the best way to meet a space need was not clearly defined. During committee hearings, OPM contended that this analysis was DAS' responsibility, while DAS maintained that OPM decided whether to lease or buy/build. Since this decision point has not been clearly defined, agency proposals for leasing may move forward without formal consideration of alternatives by OPM or DAS.

As discussed earlier, however, some agencies may not have the staff expertise to evaluate alternatives to leasing. Responses to a Legislative Program Review and Investigations Committee survey indicated that 44 percent of state agencies never conduct feasibility studies (i.e., analyses of the lease vs. buy/build option). Even if agencies realize that leasing is inappropriate, they may continue to lease because it is easier than expending agency effort to develop a capital project that will be subject to delays and/or disapprovals in the capital process.

The Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-26b be amended to require DAS to analyze FACCAP lease requests to determine if buying or constructing a facility would be an economical alternative to leasing. The findings of DAS' analysis shall be included in FACCAP along with the number of years the specific space need has been met through leasing.

The committee believes this review should be conducted by DAS because the agency provides a central point for the analysis and possesses the required technical expertise. The Department of Administrative Services demonstrated its ability to perform this type of analysis when it proposed replacing leases in certain urban areas with state-owned district offices. The committee believes that the analysis that engendered those proposals should be extended to all lease requests.

The committee believes that DAS will need two additional positions to provide the technical analysis required by the committee's first two recommendations. The annual cost of these two positions is estimated to be \$56,000, or \$78,000 if fringe benefit costs are included.

FACCAP schedule. The Office of Policy and Management is responsible for deciding which projects will be included in FACCAP and in which years they will be funded. Since OPM is in large part a budget agency, decisions about what will or will not be included in FACCAP are heavily influenced by budgetary considerations. Currently, OPM reviews FACCAP requests at the same time as agency operating and capital budget requests. As a result, OPM staff time available to analyze FACCAP requests is limited, since budget prep-

aration is a higher priority. This timing also results in capital budget decisions dictating the first year of FACCAP projects, as the capital budget precedes the presentation of FACCAP by one month.

In order to separate FACCAP from the development of the capital budget, the Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-26b be amended to provide for publication of the FACCAP by September 1 of each year. The committee believes this rescheduling would alleviate time pressures on OPM and could provide added time for DAS to conduct the technical analysis previously recommended. While budgetary considerations will remain a factor in developing the plan, the new schedule should allow FACCAP to become an input into the capital budget process rather than a byproduct of it.

Bond authorizations. In reviewing acquisition and construction projects, the committee found that the connection between the wording of the bond act authorizing funds and the project funded was vague. In some cases, this was due to the use of broad wording in the bond act, such as "for executive and legislative departments: land acquisition, site development, planning and state office facilities, including modifications to accommodate handicapped persons and renovations and additions to existing facilities". In other cases, the wording of the bond act was clear, but the relationship of the project to the bond act purpose was not. For example, the Department of Environmental Protection acquired facilities to house offices for its marine programs from a bond authorizing acquisition of land for recreation and conservation purposes. The committee also found cases where the wording of bond acts was amended to allow use of bond funds for projects not originally intended to be funded from the act. By amending past bond acts, agencies can acquire funding for new projects without asking for "new money".

The Legislative Program Review and Investigations Committee recommends the Connecticut General Statutes be amended to require bond authorizations for space-related capital projects to include a sunset date to terminate the authorization if construction does not begin within 10 years. The Office of Policy and Management should be required to compile a list of outstanding authorizations and report to the General Assembly by January 1, 1988, on all space-related projects over 10 years old and the appropriate bond acts should be amended to delete these authorizations if construction has not yet begun.

The committee believes implementation of this recommendation will reduce inappropriate use of bond funds and decrease opportunities for amending bond acts rather than requesting new funds outright. If bond authorizations for viable projects are sunsetted, requests to renew the authorizations could be submitted. Bond authorizations for space-related projects should be reviewed if they are 10 years old or older and cancelled if the projects are not viable.

Review of FACCAP by SPRB. The State Properties Review Board is required by statute to review and comment on a draft of the Facility and Capital Plan submitted by OPM and DAS. The committee believes that involvement of the board in the development of FACCAP is inappropriate because it conflicts with the board's primary role, that of being an independent control on the implementation of FACCAP projects. Therefore, the Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-26b(c) be amended to eliminate review and comment on FACCAP by the State Properties Review Board.

Legislative approval of acquisitions. C.G.S. Sec. 4-26(a) outlines which state agencies may acquire property and what approvals must be obtained. The wording of this section, however, is ambiguous and inconsistent with current acquisition procedures. The section allows the trustees of any state institution, the State Board of Education, or the commissioner of corrections to acquire land through DAS when the General Assembly is not in session. The section does not provide a method for acquisition when the legislature is in session. The section also allows DAS, with State Properties Review Board approval, to give or obtain an option on land when the legislature is not in session, provided the option runs until August 15 following the next legislative session. No provisions are included to allow DAS to give or obtain options during a legislative session.

The statute implies some legislative approval process when the General Assembly is in session, but does not state what that process is. In practice, DAS does not obtain options that run until August 15 after the next session and options have been obtained during legislative sessions. The Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-26(a) be amended to provide a simplified and consistent procedure for DAS to follow in acquiring legislative approval to purchase property. The committee believes DAS should be able to implement acquisitions without legislative review of individual transactions since legislative approval is granted in the bond act and implementation of projects is reviewed by the State Properties Review Board, an entity created and appointed by the legislature.

DAS implementation responsibilities. C.G.S. Sec. 4-26b(e) outlines the responsibilities of the DAS commissioner in implementing FACCAP projects. The section charges the commissioner with determining how facility needs will be met (i.e., through lease, construction, or purchase), the geographic area the facility should be located in, and the cost and feasibility of acquisition. These decisions and analysis are (or should be) part of the FACCAP planning process rather than the implementation process. The decision to lease or buy, for example, cannot be made at the implementation stage since funding must already be in place in an agency's capital or operating budget.

The wording of this section has been carried over from 1975, when the commissioner was solely responsible for reviewing agency plans and implementing projects. The section also calls for the properties review board to approve or reject each "facility plan implementation action" proposed by the DAS commissioner, but does not define this term. The State Properties Review Board currently approves all leases and acquisitions as well as selection of design professionals (i.e., architects and engineers) and contracts for design services. Other actions that might be interpreted to be a "facility plan implementation action" (e.g., acceptance of final design, letting of construction contracts) are not approved by the board.

To remove the ambiguities in the statute, the Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-26b(e) be amended to clarify the responsibilities of the DAS commissioner in implementing FACCAP projects and the role of the State Properties Review Board in approving implementation actions taken by the commissioner.

Real property purchasing procedures. Eleven recent Bureau of Public Works' purchases of real property were reviewed to examine the procedures followed by the bureau. The committee found that the procedures were informal and not consistent in all cases. For example, five files did not contain any reports on the fire or building code compliance status of the facility or engineering reports on the buildings. Only 5 of the 11 cases contained documentation indicating that alternatives to the proposed project had been sought or considered. There was no documentation of the negotiations for a purchase option in three of the seven cases where an option was negotiated. All 11 cases, however, did contain 2 independent appraisals to establish the value of the property.

In order to correct the lack of consistency found in the sample of purchase transactions, the Legislative Program Review and Investigations Committee recommends DAS develop a formal procedure prescribing the process to be followed in purchasing real property. At a minimum, this procedure should require:

- o a report on the compliance of any structure to be purchased with building and fire codes, including the estimated cost of any renovations needed to meet codes;
- o an engineering inspection to determine the structural integrity of any buildings and assess the condition of their electrical, plumbing and heating, ventilation and air conditioning systems;

- o data on the energy efficiency of any building to be acquired;
- o two independent appraisals of the property;
- o documentation of any negotiations with the property owner; and
- o an analysis of alternatives to the purchase of the property and reasons why the subject property was chosen.

## LEASING

### Description

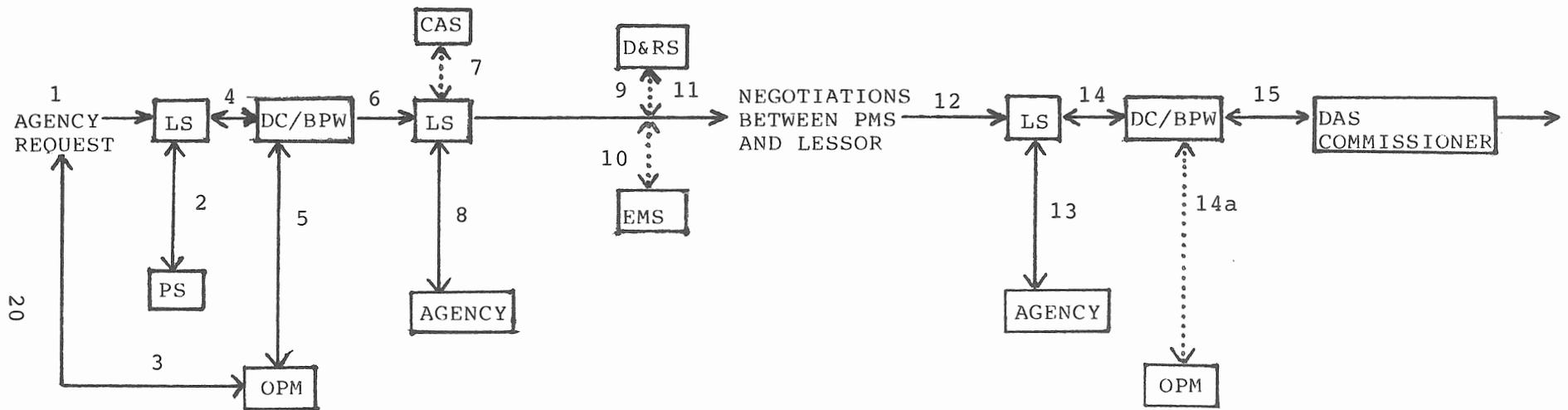
In addition to examining the bureau's role in the planning and implementation of capital projects, the program review committee conducted an in-depth review of the state leasing process. The Bureau of Public Works is responsible for leasing space for state agencies, but a number of other state agencies are involved in approval and review roles.

The leasing process is illustrated in Figure 5 on pages 20 and 21 (the numbers in the figure correspond to the numbers in the text that follows). For existing leases, the bureau notifies agencies 18 months in advance that the lease will expire and requests an indication of what course of action the agency wishes to pursue. If there is a continuing need for leased space, the agency forwards a lease request form to the bureau (1). The form provides the bureau with information about the number of personnel to be located in leased space, the number of parking spaces needed, and any special requirements an agency might have (e.g., conference rooms, labs). Once received, the forms are sent to the bureau's Long-Range Planning Section (2) to verify whether the space requested by the agency has been included in the state's current Facility and Capital Plan. If it has not been included, the requesting agency must ask the secretary of the Office of Policy and Management to certify that there is an emergency need (3). The Planning Section also indicates whether existing state-owned or leased space is available to meet the agency's needs.

Once the Planning Section has completed its review, the Leasing Section adds estimates of the square feet, cost, and length of lease needed and forwards the entire package to the bureau's deputy commissioner (4). The deputy commissioner reviews the material and upon his or her approval, sends it to the Office of Policy and Management (5).

At OPM, the space request is sent to the budget analyst assigned to the requesting agency. The analyst indicates if money is available to meet the cost estimate provided by DAS and verifies the number of staff that will occupy the space. The request is then forwarded to OPM's capital unit where the person responsible for real estate needs reviews the analyst's assessment and compares the agency's request with past cost per square foot amounts and other state leases in the same geographic area. The request is then sent to the secretary of OPM for a final decision. If the secretary denies the request, the Department of Administrative Services and the agency must work to develop a proposal that is acceptable to OPM before any site search can begin.

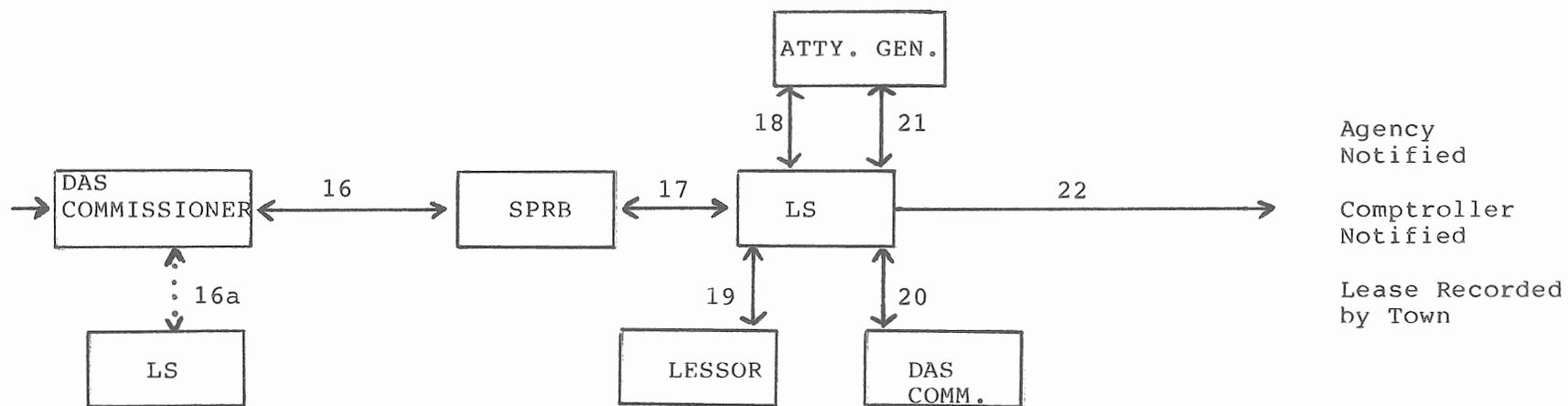
FIGURE 5  
Lease Implementation Diagram



LS = Leasing Section  
 PS = Planning Section  
 DC/BPW = Deputy commissioner BPW  
 CAS = Central Administrative Section  
 OPM = Office of Policy and Management  
 D&RS = Design & review Section  
 EMS = Energy Management Section

————— Approval/Disapproval  
 - - - - - Conditional

FIGURE 5  
Lease Implementation Diagram



LS = Leasing Section  
 Atty. Gen. = Attorney General  
 SPRB = State Properties Review Board

———— Approval/Disapproval  
 - - - - - Conditional

Once the Department of Administrative Services receives OPM approval, it begins the search process (6). If more than 2,500 square feet is needed, state statute requires the placement of a newspaper advertisement (C.G.S. Sec. 4-127c). The ad, which is drafted by the Leasing Section, is placed by the Department of Administrative Services Central Administrative Office. All responses to the advertisement are logged in by the central office before being sent to the Leasing Section (7).

The responses to the advertisement are reviewed by the leasing agent assigned to the agency seeking space. After the agent selects those locations meeting the general requirements, an inspection tour is arranged for the occupying agency (8).

Once the agency indicates a preference for a particular location, plans and specifications outlining state's needs are developed and given to the property owner to assist him or her in preparing a proposal. The Bureau of Public Work's Design and Review Section may be consulted for architectural and engineering assistance if major renovations are involved (9).

In addition, the bureau's Energy Management Section may be asked to perform an energy audit if a building to be leased exceeds 10,000 square feet and has not been occupied by the state prior to July 1, 1984 (10). The audit findings are then incorporated into the plans and specifications given to the property owner (11).

The owner's proposal is returned to the Leasing Section and reviewed by the leasing agent. The agent may make a counteroffer if in his or her judgment the owner's proposal is too costly or inadequate. Negotiations between the property owner and the agent continue until either an agreement is reached or an impasse forces the agent to pursue other sites (12).

The supervisor of the Leasing Section must approve any agreement between the agent and the property owner. Once this approval has been obtained, the agent prepares a Lease Proposal Outline (LPO) and sends it to the requesting agency for its approval (13). The proposal summarizes the major terms of the agreement such as price, length of the lease, square footage, and nature of any renovations. It identifies the owners and the location of the property.

After the agency's approval has been secured, the LPO is sent by the Leasing Section to the deputy commissioner of the Bureau of Public Works (14). Once the deputy commissioner agrees to the proposal, it is sent to the commissioner of the Department of Administrative Services unless the cost exceeds that authorized by OPM, or the size of the space being leased exceeds by 10 percent the amount OPM previously approved. In either of these cases, the proposal must go to OPM for approval (14a). At OPM, the lease proposal follows the same procedure used to process space request forms.

At the completion of OPM's review of the LPO, it is returned to the deputy commissioner of the Bureau of Public Works. If the lease proposal was approved by OPM, the deputy commissioner simply forwards it to the commissioner of the Department of Administrative Services (15).

Upon approval by the commissioner, the lease proposal outline, along with supporting documents, is sent to the State Properties Review Board (16). The board's executive director and the real property examiner review all items in preparation for presentation to the board. If the board is not satisfied with the proposal, it may direct the staff to seek more information, or request staff from the Leasing Section to appear at a board meeting. In addition, one or more board members may conduct a site visit.

If the board approves the lease proposal (17), the appropriate agent within the bureau's leasing section prepares the lease document and sends it to the assistant attorney general assigned to the Department of Administrative Services (18). Once the assistant attorney general has given preliminary approval, the lease document is sent to the lessor for signing (19). When the signed lease is returned, it is given to the commissioner for his signature (20) and then sent to the attorney general's office for final legal review and approval (21).

Upon approval by the attorney general, the original document is sent for recording to the clerk of the town where the leased space is located. Additional copies are sent to the requesting agency and the state comptroller. The comptroller's office also receives a rental control card. The card, which is filled out by the Leasing Section, must be received by the comptroller before rent payments can be made (22).

If the State Properties Review Board has disapproved the lease proposal, the usual practice is for the leasing agent to attempt to remedy the reason for rejection or, failing that, to begin a new site search (16a).

### Analysis and Findings

The committee analyzed a randomly selected sample of 31 leases to calculate the time needed to process leases and to examine the operation of controls over the process. Documents in the leasing unit's files were examined as well as the records of the State Properties Review Board.

Processing times. The average total processing time for the leases was 15.5 months. This average does not include seven cases where an option to renew the prior lease was exercised. These cases, which do not require negotiation of terms or drafting and

signing of a new lease, had an average total processing time of 5.4 months.

The leasing process was divided into four phases to facilitate the analysis. The elapsed times for the four phases are presented in Table 9.

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Table 9. Lease Processing Time by Phase.

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<u>Phase</u>	<u>Months</u>	<u>Percent of Total</u>
Approval of space need and cost	2.5	16%
Advertising, site search, negotiation	6.5	42%
Approval of terms	3.2	21%
Drafting and signing of lease	<u>3.3</u>	<u>21%</u>
TOTAL	15.5	100%

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Because a significant number of parties are involved in the leasing process, the committee analyzed the amount of time the leases were under the control of various agencies. As illustrated in Table 10, leases were within DAS control for approximately one-half of the total processing time.

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Table 10. Processing Time by Agency.

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<u>Agency</u>	<u>Percent of Time</u>
Department of Administrative Services	49.0
Client agency	13.1
Office of Policy and Management	12.7
In transit	9.7
Attorney General	8.1
State Properties Review Board	5.3
Lessor*	<u>2.1</u>
TOTAL	100.0%

\* Only reflects time taken to sign lease; negotiation time included in DAS figure.

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The "in transit" figure represents the time between the end of one step in the process and the beginning of the next step. In transit time would include actual transit time (e.g., time in the mail) as well as periods of inactivity between steps. The advertising, site selection, and negotiation process constituted 78 percent of the time DAS was in control of the lease. This phase of the process was also the most poorly documented, making it difficult to determine if the leases were proceeding in a timely fashion. In 11 (46 percent) of the 24 cases requiring negotiation, staff found no documentation of the negotiations in the file. In the remaining cases, documentation was often minimal and did not provide a clear record of the owner's original offer or how the final proposal was negotiated.

Adherence to process. Each lease in the sample was examined to determine the degree to which stated leasing procedures outlined in Figure 5 were followed. Leasing procedures include statutory mandates, department procedures, and informal interagency agreements. The program review committee found that deviations from stated leasing procedures occurred in more than half (16) of the cases. A breakdown of the 25 deviations identified in these 16 cases appears in Table 11.

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Table 11. Deviations from Stated Leasing Procedures.

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<u>Nature of Deviation</u>	<u>Number of Cases</u>	<u>Percent of Sample</u>
Party acting beyond normal role	6	19%
No space request form	4	13%
No emergency certification	3	10%
No OPM approval	3	10%
No DAS approval	2	6%
Site chosen before advertisement	2	6%
Space occupied before final approvals granted	2	6%
New space requested but no search conducted	1	3%
No preliminary review of lease by attorney general	1	3%

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The most frequent deviation was "party acting beyond normal role", which was defined as one of the participants becoming involved in a part of the lease process where he/she would not typically play a role. In three cases, client agencies conducted site

searches on their own, a violation of C.G.S. Section 4-26i, which prohibits disclosure of state realty needs without the authorization of the commissioner of DAS. In the other three cases, the commissioner of DAS or the deputy commissioner of public works became involved early in the lease process rather than reviewing the lease proposals negotiated by the leasing unit.

The three cases without emergency certification did not comply with C.G.S. Section 4-26b(j), which requires special approval for lease needs not contained in the five-year Statewide Facility and Capital Plan. The two cases where a site was selected before an advertisement was placed violated at least the spirit, if not the letter, of C.G.S. Section 4-127c(a). This section requires DAS to advertise for all space needs in excess of 2,500 square feet, no less than 30 days prior to the date of final selection. The other deviations noted in Table 11 represent violations of DAS procedures or informal interagency agreements.

At the time of the committee's review, 4 (13 percent) of the 31 leases examined had terminated, leaving the occupying agency on holdover status. The average holdover period for these leases was 15.6 months. In addition, 61 percent of the leases were in holdover status for an average of 6.5 months prior to the execution of the most recent lease.

Twelve (86 percent) of 14 sample leases for which information was available were rejected by the attorney general when sent for preliminary review. Five of these cases were rejected more than once. The reasons for rejection and their frequency are presented in Table 12.

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Table 12. Reasons for Rejection by Attorney General.

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<u>Reason</u>	<u>Frequency</u>
Technical errors	7
Incomplete	4
Unfit for review	2
Other	2
Terms of lease differ from LPO	1

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Recommendations

Quality control and supervision. In reviewing the operations of the Leasing Section, the committee became concerned with the number of leases that had errors or did not adhere to stated

procedure. The committee also felt that closer supervision of leasing agents was needed to ensure that leases are processed in a timely manner. To remedy quality control and supervision problems identified in the review of a sample of 31 leases, the Legislative Program Review and Investigations Committee recommends the Bureau of Public Works:

- o require thorough documentation of the site selection and negotiation process for each lease;
- o establish a formal quality control system to provide review of all lease proposal outlines and leases before they are sent outside the section;
- o develop specific time standards for the various steps within each phase of the lease process;
- o institute a lease tracking system to monitor the progress of leases and compare processing times to the standards to be established for each step in the lease process; and
- o evaluate the performance of each agent at least monthly using the information obtained from the quality control and lease tracking systems. Continued substandard performance should result in either training or disciplinary action.

The committee believes thorough documentation of agents' activities in the site selection and negotiation process is essential for adequate supervision since this process constitutes 78 percent of the time DAS is in control of the lease. Documentation of the site selection process should include a profile of each potential site, dates and findings of site visits, and any reasons for rejecting the site. Negotiation documentation should include the lessor's initial proposal, the state's initial offer, and a summary of all contacts between the lessor and Bureau of Public Works staff.

The need for an internal quality control system is evidenced by the fact that 52 percent of the cases reviewed did not comply with stated procedures and that the attorney general rejected 12 of the 14 leases submitted for approval. Such a system should identify procedural and clerical errors before documents are sent outside the section. Development of time standards and a tracking system will allow the leasing section to better monitor lease progress and provide a basis upon which to evaluate agents' performance. The Leasing Section has a monthly progress report that identifies which of the six phases of the leasing process a lease is in at the moment. The committee felt that a more detailed system was needed because

the length of the six phases currently tracked ranges from two to five months.

Once quality control and lease tracking systems are instituted, agent performance can be objectively reviewed and training or disciplinary action can be initiated.

Lease management. Once a lease has been signed and the agency occupies the space, the Leasing Section is no longer involved unless the lease is expiring or some problem occurs (e.g., leaky roof, repainting needed, etc.). Agencies are responsible for ensuring that the lessor complies with lease terms regarding repairs and maintenance of the leased space. Responsibility in this area is not well defined, nor is it widely understood among state agencies. In practice, some agencies contact the lessor when problems occur, some contact the Bureau of Public Works, and some are unaware of whom, if anyone, should be notified. In a performance audit of the Department of Motor Vehicles (DMV), the committee found confusion existed about who was responsible for insuring that painting and carpeting called for in some DMV leases was provided. As a result, offices were not repainted as scheduled in the leases.

Although lease management is ostensibly the duty of the occupying agency, the Leasing Section is frequently involved in resolving problems with existing leases. The leasing supervisor was observed spending a significant amount of time attempting to resolve lease management problems. The committee felt that time spent on lease management detracts from the ability of the supervisor to monitor agents' performance.

To ensure lessor compliance with lease terms and increase the amount of supervisory time available to the bureau's Leasing Section, the Legislative Program Review and Investigations Committee recommends the lease management function be strengthened and removed from the Leasing Section. Therefore, C.G.S. Sec. 4-128 should be amended to:

- o clarify that primary responsibility for the lease management function (i.e., ensuring that lessors comply with lease terms) shall reside with the Department of Administrative Services and there shall be an inspection of leased property for conformance with the terms of the leases at least annually;
- o require DAS to provide the State Properties Review Board with an annual statewide compliance report based on their inspections; and
- o prohibit the Leasing Section from performing any of the department's lease management activities.

The committee estimates that two staff positions will be needed to conduct annual inspections and resolve other lease management problems. The cost of these two positions would be \$52,000, or \$73,000 including fringe benefits. The committee believes the lease management function should be located outside the Leasing Section because continued contact between section staff and lessors does not promote "arms-length" negotiation of the next lease. Placing the function outside the section will also minimize the potential for lessors to obtain information about upcoming leases through regular contact with leasing personnel.

Expedited renewal process. The length of the leasing process often results in agencies occupying space after their leases have expired. This occurs when a renewal or new lease is in process, but is not completed by the expiration of the old lease. In the sample of leases examined by the committee, 61 percent had been in holdover status before the most recent lease was executed. Twenty-two of the 31 sample leases and 16 of the 19 holdovers were renewals of existing leases.

The committee believes that the holdover problem could be significantly reduced if a simplified lease process could be instituted for renewal leases. Therefore, the Legislative Program Review and Investigations Committee recommends an expedited process for renewal of existing leases be created in statute to reduce the leasing workload and thereby cut down on the number of holdover leases. The process should be similar to that currently used to exercise a renewal option.

Presently, renewal of an existing lease where an agency is satisfied with its accommodations must be processed in the same manner as any other lease, including advertising and site search. The committee believes an expedited process should exist whereby early negotiations could be conducted with the lessor and, if a rental rate could be agreed upon, a proposal could be submitted to the State Properties Review Board. If the board approved the proposal, the state would be spared the time, expense, and effort involved in advertising and site selection. If early negotiations failed or the State Properties Review Board rejected the proposal, the normal advertising and site search process could be initiated.

An expedited renewal process would recognize the fact that satisfied agencies are not likely to move from their current locations. Advertising a need for space when an agency intends to renew its lease may unnecessarily antagonize property owners and discourage them from responding to future ads.

FACCAP approval process. Agency requests for leased space are submitted annually to DAS and OPM as part of the FACCAP planning process. Through FACCAP, OPM grants approval for the leasing of

specific amounts of space. General cost estimates for individual leases are included by the agency in their request, but the estimates are not subject to close scrutiny by OPM. When the agency requests implementation of leases contained in FACCAP, they must again document their need for space in the form sent to DAS. The Department of Administrative Services, in turn, reviews the request, recommends the amount of space needed, and estimates the cost of the lease. The lease implementation request must then be sent to OPM for approval.

The committee found this approval process to be time consuming and duplicative. In the sample of leases examined, the second OPM review process took an average of 39 days. Office of Policy and Management staff conceded that most of the time a request spent at the agency was in a holding status awaiting action.

To reduce duplication and delay in the leasing process, the Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-26b be amended to require:

- o DAS to review all lease requests in FACCAP scheduled to begin during the first year of the plan and provide OPM with an estimate of the gross cost and square footage needed;
- o OPM to provide the requesting agency, DAS, and the State Properties Review Board with the approved gross cost;
- o DAS to submit to OPM for approval only those negotiated lease proposals that exceed the approved cost or exceed the approved square footage by at least 10 percent; and
- o OPM to act on lease proposals within 10 working days or the proposal is deemed approved and may be forwarded to the State Properties Review Board.

The gross cost of leases should be used in estimates to ensure that OPM and the agency are aware of the total cost of leasing, including costs that may not be included in the rental rate (e.g., heat, electricity, janitorial services). Both bureau and OPM staff indicated they were not sure whether the cost estimated by the Leasing Section on the space request form was gross or net.

Emergency certification. Three of the 31 leases reviewed by the committee required emergency certification under C.G.S. Sec. 4-26b(j) because they were not included in FACCAP or the square footage requested exceeded the amount approved in FACCAP by 10 percent. In none of these cases was there a statement from the agency

justifying the emergency nature of the need and thus there was no approval of such a statement by the secretary of OPM, as called for in the statute. The Bureau of Public Works, in responding to the committee's findings, maintained that OPM's approval of the space request form was sufficient to meet the requirements of Sec. 4-26b(j). The committee believes this subsection was written for the express purpose of precluding routine processing of projects not in accordance with FACCAP. To clarify the intent of the legislature, the Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-26b(j) be amended to require that when an agency's space request is not in accordance with FACCAP, the secretary of the Office of Policy and Management must certify in writing the emergency need for the space before the Department of Administrative Service can act on a site search.

Advertising and identification of potential sites. C.G.S. Sec. 4-127c requires DAS to give public notice of leased space needs over 2,500 square feet by advertising in an area newspaper. This statute was intended to allow any interested property owner to become aware of state space needs and to encourage proposals from as many property owners as possible. Current DAS policy, however, limits consideration of property offerings to those responding to newspaper ads and the present lessor (in the case of an expiring lease).

The committee believes the department policy is contrary to the intent of the statute, which is to open the leasing process and encourage proposals from all interested parties. Potential lease sites can be located through a variety of means including newspaper ads, contacts with real estate brokers, and physical searches for vacant space. The committee believes DAS should not foreclose any of these options. Therefore, the Legislative Program Review and Investigations Committee recommends C.G.S. Sec. 4-127c be amended to clearly indicate that in searching for leased space, the Department of Administrative Services shall not limit itself to property owners who respond to specific newspaper advertisements. The department should maintain and continuously update an inventory of potential space to lease.

Leasing procedures. Figure 5 on pages 20 and 21, which illustrates the leasing process, was developed by the committee through review of statutes and departmental procedures and interviews with department personnel. The process outlined in the figure is a product of statutory mandate, formal and informal department procedures, and informal interagency agreements. There are no regulations specifying how DAS, OPM, and the State Properties Review Board will carry out their responsibilities in the leasing process.

During the review, the committee found that significant changes in the lease process can occur without discussion by all the agencies involved. For example, in January 1986, the Properties Review Board, apparently at the request of OPM, required that DAS

obtain OPM approval for each lease proposal outline rather than only for those that exceeded OPM's prior approval. Although this proposal was rescinded before it actually took effect, it illustrates the ease with which the leasing process can be changed.

The uncertainty about whether DAS cost estimates approved by OPM are gross or net is another instance where the need for clear written procedures is evident.

Therefore, the Legislative Program Review and Investigations Committee recommends the Office of Policy and Management, the Department of Administrative Services, and the State Properties Review Board be required to promulgate regulations by January 1, 1988, indicating the procedures followed by each in carrying out the state's leasing activities. The agencies shall consult with each other in developing the regulations, which shall specify for each decision point (i.e., the point at which an approval is given to proceed to the next step) what information will be required, who will provide it, and on what the decision will be based.

Conflict of interest. The leasing agents in the Bureau of Public Works have considerable discretion in conducting negotiations with lessors. While negotiating discretion is necessary, the committee has recommended better documentation of the negotiation process to allow management to monitor the progress of leases. Three of the four leasing agents have Connecticut real estate licenses, and the fourth is licensed in a neighboring state. The committee was concerned that conflicts of interest might arise between these agents' outside real estate activities and their negotiating role for the state.

This issue has arisen before, and the State Properties Review Board has recommended in its past annual reports that leasing staff be required to place their real estate licenses in escrow to avoid any appearance of conflict in the future. In January 1986, the Bureau of Public Works requested that all leasing agents place their real estate licenses in escrow. This request is currently under negotiation between the department and the bargaining unit for the affected employees.

The committee believes the restrictions on agents, who negotiate leases, should be equivalent to those placed on State Properties Review Board members and staff, who review them. The Legislative Program Review and Investigations Committee recommends all Bureau of Public Works property management agents and their immediate supervisors shall be subject to the same restrictions on outside activities as employees of the State Properties Review Board (C.G.S. Sec. 4-26f). The restriction would:

- o prohibit holding of another state or municipal position;

- o prohibit direct involvement in any enterprise doing business with the state;
- o prohibit direct or indirect involvement in any enterprise concerned with real estate acquisition or development; and
- o require filing a financial statement indicating all sources of business income and business affiliations of such person and his or her spouse.

Prior to the implementation of these restrictions, a review of the affected positions should be undertaken and, if necessary, reclassifications should be made to adjust for the loss of financial opportunities.

Distribution of workload. In its review of the operations of the leasing unit, the committee discovered significant workload variation among the agents. One agent is responsible for more than 100 leases while the other three agents have an average of 62 each. In terms of active leases, the committee found that one agent had a monthly average of 61 leases in process over a six-month period, while the average for the others ranged from 34 to 38.

In discussing the workload variation, leasing staff indicated that agencies assigned to the agent with the high workload have leases that are easier to negotiate and process than other agencies. However, there is no documentation or analysis to support this contention. In the committee's sample of 31 leases, the 9 leases for less than 2,500 square feet took an average of 19 months to process, while 7 leases over 2,500 square feet averaged 16.4 months. Although elapsed time is not necessarily an accurate indicator of the effort needed to process a lease, these figures do raise questions about the assumption that small leases require less effort.

The committee also noted that the leasing supervisor on occasion takes responsibility for negotiating leases although no leases are assigned to the supervisor. Implementation of earlier recommendations on supervision and monitoring of agents' performance will require the supervisor's full attention. The Legislative Program Review and Investigations Committee recommends the Leasing Section undertake a review of the distribution of work among agents to ensure that the workload allocation is equitable. The review should include analysis of the frequency of renewal for leases in order to provide an equitable workload distribution each year.



## APPENDICES



## APPENDIX A

### 1974 Legislative Investigation of Leasing

In 1974, an analysis of leasing procedures of the State of Connecticut was conducted by a subcommittee of the 1973-74 General Assembly's Joint Standing Committee on Appropriations. The study was recommended by the Appropriations Committee following the public disclosure of certain leasing practices that brought the state's entire space acquisition process under critical scrutiny.

Assertions by the news media that the state leasing system was cost-inefficient and an inadequate solution to long-range space problems raised questions concerning the organizational constructs within the leasing system. Fifty-four leases were examined based upon responses received from questionnaires as well as from interviews of individuals in the public and private sector who were remotely or directly involved in the leasing process. While these leases were but one-quarter of all the active leases of the state, they comprised 46.6 percent of the total amount spent on leasing per year--\$3,333,383 out of a total \$7,157,561.

#### Findings

The subcommittee discovered that long-term space needs were being satisfied through leasing, not by construction. State agencies found that their space needs were seldom met in a timely manner through construction. Although the study did not specify what percentage of space needs were met through construction, it maintained that most of the space that was constructed for state use was being leased, not purchased, by the state. In almost every occurrence in which the state leased space over 15 years, lease purchase options were only available at high rates.

While rental rates were generally discovered to be consistent with market rates, the study indicated that the state did not attempt to procure lower rents for leases exceeding 10 years.

More significant, however, were problems within site selection and negotiation process. Mechanisms used to prevent favoritism were circumvented by the unofficial disclosure of agency space needs to potential lessors by individuals within the requesting agency. Lessors favored with information in this manner were then able to submit a proposal tailored to an agency's space needs and fiscal limitations. Compounding this problem was the fact that agencies were selecting and negotiating their own sites, rather than submitting their requests to the Department of Public Works as had

been required in 1967 under Governor John Dempsey. Such deviation from standard procedure led to two incidents where the state entered into leases with lessors who did not own the property they leased.

While the subcommittee believed leasing to be an appropriate solution to short-range space problems, it favored a process whereby the state would gain equity. The committee felt that long-term leasing was not in the best financial interests of the state in that it was found to be a costly alternative to construction.

As a result of these findings, the subcommittee made the following recommendations.

- 1) A new "operational entity" should become the sole negotiator for space acquisition for the state. An agency's role in the leasing process would be limited to alerting the entity of their needs. The new division would be responsible for compiling an inventory of all property owned or leased by the state.
- 2) For real estate leased by the state in excess of five years, the new division would purchase the site or be certain that all leases include a lease/purchase option.
- 3) Sealed bidding should be implemented as a means to reestablish impartiality when selecting potential sites.
- 4) Disclosure of state realty needs by unauthorized officials should be discouraged by making such action a felony.

In response to the subcommittee's recommendations, the General Assembly in 1975 passed Public Act 75-425. Major provisions of the act included:

- 1) creation of the State Properties Review Board, an independent bipartisan body empowered to review and approve or disapprove state leases;
- 2) designation of the commissioner of public works as the sole person authorized to represent the state in the acquisition, construction, or leasing of real estate for housing state offices or equipment;
- 3) a requirement that the commissioner of public works attempt to purchase, lease-purchase, or build to meet state realty needs projected to last more than five years;

- 4) a requirement that in all real estate dealings with the state, the owner of record or beneficial owner shall be disclosed to the commissioner, the proposed agreement be revealed to the owner, and the commissioner be empowered to void any subsequent contract if these provisions have not been adhered to; and
- 5) a requirement making it a class A misdemeanor for anyone to disclose information about the state's realty needs without authorization by the commissioner.



APPENDIX B

Leasing Study by Citizen's Committee for Effective Government

In late 1983, the Commissioner of DAS asked the Citizen's Committee for Effective Government (CEEG) to study the operations of the Leasing Unit. The committee reviewed the organization, procedures, and systems of the leasing unit and issued a report in July 1984. Listed below are the recommendations of the CCEG study and their current status of implementation as of November 7, 1985.

RECOMMENDATIONS

IMPLEMENTATION STATUS

Organizational Responsibilities

- |   |   |
|---|---|
| A. Hire a director of land acquisition and leasing.   | A. DAS was unsuccessful in filling a chief of property management position in 1985. DAS expects to revise the job specifications and fill the position in 1986.         |
| B. Establish a quality control position within the Leasing Unit.  | B. Upon the hiring of a chief of property management, the job duties of the leasing supervisor will be redirected to quality control functions.                         |
| C. Transfer responsibility for maintenance of leased facilities to the Building and Grounds Section of BPW. | C. The DAS budget request for FY 87 includes funding for a position to handle the maintenance of leased facilities. This position will be in the Leasing Unit, however. |
| D. Amend leasing agent responsibilities to include quality and performance guidelines.                      | D. Implemented.   |
| E. Begin the lease renewal process 18 months in advance.  | E. Implemented.   |

### Performance Standards

- |  |  |
|--|--|
| A. Establish critical points in the lease execution process with time standards, cutoff points, and escalation procedures. | A. Implemented.  |
| B. Revise the lease document.  | B. Discussions have been held with the attorney general's office, but the lease document has not yet been revised. |

### Management Information Systems

- |  |  |
|--|--|
| A. Develop a monthly management report to track lease progress and adherence to standards. | A. Implemented.  |
| B. Expand microprocessing utilization.   | B. Currently developing a data base for a lease inventory to be maintained on a microcomputer. |

### Long-Range Planning

- |   |   |
|---|---|
| A. Consolidate functions handling space needs for the state.              | A. No progress.   |
| B. Strengthen pro-active planning for state lease/build/buying decisions. | B. DuBose study of state space needs in the Capitol Center District proposes a series of actions (buying, building, and leasing) to address long-range space needs. |
| C. Improve facility search process.                                       | C. Facility search process has been revised; new process is being implemented.  |

## APPENDIX C

### State Agency Survey

The Legislative Program Review and Investigations Committee conducted a survey of 41 state agencies seeking information on their activities and opinions relating to the state's leasing and capital planning process. The survey was divided into two categories. Part I attempted to discover how responsibility for individual leases was assigned within various agencies. It also sought to assess the effectiveness of the Department of Administrative Services and the Office of Policy and Management in assisting agencies in the selection, negotiation, and maintenance of leased space.

Part II focused on capital planning and how agencies assigned responsibility for defining their space needs as well as how they evaluated the quality and timeliness of the assistance they received from OPM and DAS. Responses were obtained from all 41 agencies surveyed.

Eighty-eight percent of the agencies that responded to the question indicated there was a single person responsible for leases in their agency, and 81 percent of those responding stated that their leasing official reported to an agency head or deputy head. As indicated by these figures, the leasing function appears to be handled within the higher administrative echelons of the agencies.

Most of the officials involved in determining agency space needs indicated they had little, if any, technical expertise. In addition, only one of the respondents received any specialized training after assuming leasing responsibilities.

Agencies generally rated the Bureau of Public Works favorably in terms of how well the department assisted them in acquiring new space.

Seventy-seven percent of the agencies providing an opinion responded that the BPW was performing a good to very good job in helping them define their space needs; 82 percent considered the bureau's efforts in negotiating favorable leases for agencies good to very good. However, 41 percent found the bureau's maintenance follow-up to be poor to very poor.

Agencies were also asked to respond to a series of questions concerning capital planning and the submission of requests for FACCAP projects. Ninety-two percent of those responding to the question indicated that there was one person responsible for the annual submission of space requests for the Statewide Facility and

Capital Plan while 84 percent indicated that that official reports to an agency head or deputy head.

Eighty-six percent of the respondents indicated that they consult with DAS, while 73 percent confer with OPM on matters related to leasing and the capital planning. However, over 43 percent of state agencies do not conduct feasibility studies of any kind, and 20 percent conduct them only sporadically. In light of the limited technical expertise of individuals involved in both the leasing and capital planning processes, the question arises as to whether agencies are capably staffed to address their space needs.

Agency perceptions of the Bureau of Public Works and the Office of Policy and Management in relation to the timeliness of the assistance they provide produced conflicting results. One hundred percent of those responding believed OPM to be timely, whereas 83 percent agreed that DAS was timely. However, when asked what was the most problematic aspect in dealing with the space acquisition process, agencies overwhelmingly cited timeliness as the major problem area. Thus, it appears that while agencies perceive OPM and DAS as timely in terms of their individual roles in the identification, negotiation, and approval of new leasing/construction projects, they perceive the overall processes as lengthy and untimely.

AGENCY SURVEY

AGENCY \_\_\_\_\_

NUMBER OF LEASES \_\_\_\_\_

SQUARE FOOTAGE LEASED \_\_\_\_\_

PERCENT OF AGENCY SPACE LEASED \_\_\_\_\_

ANNUAL COST OF LEASES (FY 85) \_\_\_\_\_

PART A - LEASING

1. Is there one person in your agency who is primarily responsible for handling matters related to the leasing of space?

35 Yes 5 No (1 person not responding)

(If no, please go directly to Question 7)

2. If yes, please indicate the state job title of this person.

\_\_\_\_\_

3. How long has this person been responsible for this task?

7 (years) (6 not responding)

4. To whom within the organization does this person report?

15 Directly to agency head (6 not responding)

10 To a person who reports to agency head

6 Other (explain) \_\_\_\_\_

\_\_\_\_\_

5. In an average year, what percentage of this person's time is spent on leasing matters? \_\_\_\_\_%

6. Please list any special training or experience this person has related to leasing.

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7. If no one person in the agency is primarily responsible for leasing, how is responsibility for individual leases assigned?

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8. Please circle the choice that best characterizes the service provided to your agency by the Bureau of Public Works in the following areas:

	<u>Very Good</u>	<u>Good</u>	<u>Poor</u>	<u>Very Poor</u>	<u>Don't Know</u>
a) Filling out space request forms (i.e., PWPL1 and PWPL2)	4	19	6	-	2
b) Defining agency space needs	3	20	7	-	4
c) Identifying potential sites for lease	6	24	4	-	3
d) Evaluating advantages and disadvantages of potential sites	4	16	9	-	4
e) Preparing layouts/floorplans	4	13	6	1	6
f) Negotiating favorable lease terms for the agency	5	22	6	-	3
g) Keeping agency informed of the status of pending leases	7	16	9	4	1
h) Resolving problems with lessor after the lease is signed	4	13	9	3	4

9. Has the Bureau of Public Works provided you with needed assistance in a timely manner?

23 Yes      12 No

10. (Optional) - Please describe any problems your agency has encountered in leasing space.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. (Optional) - Are there any changes or improvements you would like to see in the leasing process?

\_\_\_\_\_  
\_\_\_\_\_

PART B - CAPITAL PLANNING

NUMBER OF CAPITAL PROJECTS RELATED TO SPACE NEEDS INCLUDED IN 1985-1990 FACCAP:

\_\_\_\_\_

PROJECTED COST OF CAPITAL PROJECTS INCLUDED IN 1985-1990 FACCAP:

\_\_\_\_\_

1. Is there one person in your agency who is primarily responsible for the annual submission of requests for the Statewide Facilities and Capital Plan (FACCAP)?

34 Yes      3 No

(If no, please go directly to Question 7)

2. If yes, please indicate the state job title of this person.

\_\_\_\_\_

3. How long has the person been responsible for this task?

5 (years)

4. To whom within the organization does this person report?

13 Directly to agency head

14 To person who reports to agency head

5 Other (Explain) \_\_\_\_\_  
\_\_\_\_\_

5. In an average year, what percentage of this person's time is spent on capital planning?

\_\_\_\_\_ %

6. Please list any special training or experience this person has related to capital planning.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. If no one person in your agency is primarily responsible for capital planning, please describe how these responsibilities are assigned.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. When your agency is faced with a need for space (through expansion, a new program, or expiration of a lease) do you obtain or conduct a feasibility study (i.e. an analysis of the lease vs. buy/build alternatives)?

13 Yes

15 No

7 Only in some cases (please specify in what situations a feasibility study is conducted)

\_\_\_\_\_  
\_\_\_\_\_

If yes to question 8, who conducts the feasibility studies?

- 5 Agency
- 9 Agency with DAS assistance
- 3 DAS
- 2 Consultant
- Other (please explain) \_\_\_\_\_  
\_\_\_\_\_

If no, on what basis is the lease vs. buy/build decision made?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Is the lease vs. buy/build decision made centrally or does the appropriate program/regional staff decide how to meet their space needs?

26 Central decision                      1 Program/regional decision

10. Do you consult with Department of Administrative Services or Office of Policy and Management in making these decisions?

<u>Yes</u>	<u>No</u>	
<u>19</u>	<u>7</u>	Consult with OPM
<u>25</u>	<u>4</u>	Consult with DAS

11. If you consult with DAS or OPM, what type of assistance do they provide? (You may check more than one.)

<u>DAS</u>	<u>OPM</u>	
<u>17</u>	<u>8</u>	Cost estimation
<u>14</u>	<u>5</u>	Feasibility study
<u>6</u>	<u>8</u>	Other (Explain) _____

12. If you have received capital planning assistance from OPM or DAS, please evaluate the quality and timeliness of the assistance?

a) Quality of OPM assistance

  9   Very good

  9   Good

  -   Poor

  -   Very poor

  5   Not applicable

b) Quality of DAS assistance

  6   Very good

 12   Good

  2   Poor

  -   Very poor

  5   Not applicable

c) Timeliness of OPM assistance

 17   Timely

  -   Not timely

  6   Not applicable

d) Timeliness of DAS assistance

 15   Timely

  3   Not timely

  5   Not applicable

13. (Optional) - Please describe any problems your agency has had in capital planning or completing FACCAP requests.

---

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---

14. (Optional) - Are there any changes or improvements that you feel are needed in your agency's capital planning process?

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15. (Optional) - Are there any changes or improvements that you feel are needed in FACCAP or the state's capital planning process?

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APPENDIX D

PROPERTY ACQUISITIONS INCLUDED IN  
SAMPLE REVIEWED BY LPR&IC

AGENCY	LOCATION	USAGE
DEP	Sea Farms Ferry Road Old Lyme	Marine Labs and Office
DOT	Prospect St. Ext. Thomaston	Maintenance Garage
DOT	Old Hartford Road Colchester	Maintenance Garage
DAS	340 Capitol Ave. Hartford	Office Building
JUDICIAL	78-80 Ward St. Hartford	Juvenile Court Secure Facility
JUDICIAL	111 Phoenix Ave. Enfield	Courthouse Records Center
DMR	145 Camp St. Meriden	Group Home
DMR	30 Brookside Ave. New Haven	Workshops and Office
DMR	25 High St. Bristol	Group Home
HIGHER EDUCATION	Magraph School Richards Ave. Norwalk	Norwalk CC Campus
HIGHER EDUCATION	Orchard Hill School North Haven	New Haven Technical College



APPENDIX E

CONSTRUCTION PROJECTS INCLUDED IN  
SAMPLE REVIEWED BY LPR&IC

DEPARTMENT	DESCRIPTION	'85 FACCAP PAGE
Mental Retardation	Res./Gen. Purpose - Waterbury	113
Mental Retardation	Res. Facility - New Haven	113
Mental Health	Cedarcrest - Newington	117
Dept. of Education	Platt-Sikorsky - Stratford	139
Dept. of Education	New Shop Wing - Enfield	139
UConn	Law School	149
UConn	School Eng. Addition	149
UConn	Student Rec. Center	149
State University	Field House WCSU	157
Correction	Minimum Security - Enfield	162
Correction	Vo-Ed - Cheshire	162
DCYS	Const. Hospital - Cheshire	167



APPENDIX F

LEASES INCLUDED IN SAMPLE REVIEWED BY LPR&IC

AGENCY	ADDRESS	SQ. FEET	ANNUAL COST	YEAR APPROVED
Adult Probation	Church St. Torrington	1140	\$ 9,405	1983
Sol/Sail/Marine	Oakwood Ave. W.Htfd.	3167	26,919	1982
DOT	Pascone Place Newington	4200	203,700	1974
DIM	Bartholomew Ave. Htfd.	9100	451,000	1974
DIM	Broad St. New London	780	3,510	1982
Adult Probation	Main St. Danielson	836	5,852	1981
Dept. of Ed.	S. Main St. Torrington	3200	1	1982
Dept. of Ed.	Farmington Ave. Bristol	700	5,944	1982
DCYS	Court St. Vernon	7903	57,000	1984
Comptroller	Vredendale Ave. Htfd.	4464	10,044	1979
DAS	Wadsworth St. Htfd	Parking	18,240	1984
Multiple Agency	Asylum Ave. Htfd	67931	712,077	1985
Comm.Deaf/Hear.	Woodland St. Htfd.	3500	35,874	1984
Revenue Service	Farmington Ave. Htfd.	9376	42,192	1983
Dept. of Ed.	State St. New London	550	4,675	1984
Ethics/FOI Comm.	Elm St. Htfd.	5308	49,099	1985
Dept.of High.Ed.	Barnum Ave. Bridgeport	101276	440,000	1981
Multiple Agency	State St. Hamden	22500	106,875	1971
Judicial	Trumbull St. Htfd.	4340	24,738	1983
Public Defender	Litchfield Prof. Bldg.	1200	10,200	1982
CPDC	Oak St. Htfd.	2456	21,480	1982
Corrections	Fairfield Ave. Bridgeport	540	3,900	1983
Judicial	Main St. Killingly	270	2,160	1985
DMR	Bellevue Ave.Bristol	Res.	11,899	1984
DMR	Botelle School Norfolk	2146	13,563	1984
Judicial	Main St. Willimantic	3106	20,189	1983
Judicial	Miller St. Meriden	1368	10,738	1985
DMR	Holabird Ave. Winsted	N/A	10,316	1973
DMV	East Ave. Norwalk	5000	70,000	1983
DMH	Main St. Bridgeport	1188	7,425	1979
UCONN	Linden St. Waterbury	Parking	2,400	1985



APPENDIX G

LEASES BY TOWN

MUNICIPALITY	NUMBER OF LEASES	TOTAL ANNUAL COST
Ansonia	4	\$ 47,650
Bethany	1	18,000
Bethel	1	25,056
Bloomfield	1	62,437
Bridgeport	18	1,115,444
Bristol	6	227,556
Cheshire	1	65,450
Colchester	1	63,000
Danbury	5	160,535
East Hartford	1	19,800
Enfield	4	75,700
Farmington	1	5,000
Goshen	1	6,999
Hamden	6	417,909
Hartford	66	6,399,571
Killingly	5	31,873
Litchfield	4	35,596
Manchester	4	121,580
Mansfield	2	9,490
Meriden	9	141,654
Middletown	6	430,667
Milford	6	719,106
Montville	1	29,685
New Britain	14	464,896
New Haven	18	499,186
New London	13	202,079
New Milford	2	42,275
Newington	3	247,823
Norfolk	1	13,563
North Canaan	1	15,600
North Haven	1	123,163
Norwalk	8	1,017,062
Norwich	9	816,562
Old Saybrook	1	26,000
Plainfield	1	16,200
Pomfret	1	19,536
Putnam	1	27,120
Salem	1	300
South Windsor	1	40,110
Southington	1	2,400

Stamford	6	384,802
Thomaston	1	\$ 74,760
Tolland	1	1
Torrington	10	177,767
Vernon	9	271,980
Wallingford	2	143,500
Waterbury	17	412,103
Waterford	1	64,500
West Hartford	3	158,846
West Haven	3	85,024
Wethersfield	1	32,917
Wilton	1	29,400
Winchester	2	47,650
Windham	7	97,486
Windsor	2	78,231
Winsted	4	212,832
Woodbridge	1	14,002



STATE OF CONNECTICUT  
DEPARTMENT OF ADMINISTRATIVE SERVICES

May 7, 1986

Michael L. Nauer, Director  
Legislative Program Review and  
Investigations Committee  
18 Trinity Street  
Hartford, Connecticut 06106

Dear Mr. Nauer:

In preparing your final report on the State's facilities acquisition process and related Bureau of Public Works' activities, you have given us the opportunity to comment on the draft content. We are pleased that many of your comments appear to endorse activities already underway.

While you will find that our Department supports many of your conclusions and recommendations, we do take exception to a few. They are covered in the body of our comments.

Before getting into detail, however, there is the matter of the absence of context in your report, as follows:

1. You make no mention in your report that DAS was in the process of implementing organizational and procedural changes recommended by the Citizens Committee for Effective Government (CCEG) as part of the study it performed at our request. Some of the concerns which motivated the changes made or underway are cited in your report as though they were unknown by DAS and Public Works staff. We believe that we have taken action and that our initiatives are important to mention. Not doing so would result in an unwarranted negative context and would contribute to the destructive stereotyping of government institutions with which we are all too familiar.
2. In addition, you have not mentioned that our Department had just employed the chief analyst who conducted the CCEG Study. Her primary task at the time you began your

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analysis was to help implement the CCEG recommendations. It would be desirable if you included this in your report since it illustrates our strong determination to implement the proposed improvements in leasing, and to see that the CCEG Study did not end up gathering dust.

3. Your report does not cite relevant recommendations made by the CCEG, our staff, the Governor's Task Force on Infrastructure, or the Deloitte, Haskins and Sells Study of the State's public works process done for the Legislature's Finance, Revenue and Bonding Committee. By not doing so, you will further contribute to the mistaken idea that no initiative has been taken and that there has been no progress. Citations would result in a more balanced view of circumstances in the leasing unit, in the Public Works Bureau and in DAS; and would credit some very hard working employees, rather than painting them all with a negative brush.
4. In addition to matters relating to context, there is a fourth concern of an entirely different nature. However unintentional, one must wonder about the unfortunate impression created by the statement on page 27, which reads as follows:

"The most frequent deviation was 'party acting beyond normal role', which was defined as one of the participants becoming involved in a part of the lease process where he or she would not typically play a role.....In the other three cases, the Commissioner of the Department of Administrative Services or the Deputy Commissioner of Public Works became involved early in the lease process rather than reviewing the lease proposals negotiated by the leasing unit."

This paragraph has been reported and editorialized by the media with inferences that the Commissioner and Deputy Commissioners of this Department have influenced leasing outcomes for whatever motives -- perhaps political. We will stand on the premise that professional administration at any level sometimes requires providing counsel in the process for which an individual is held responsible. There is a great difference between assuring the integrity of the process as work progresses and trying to steer the results.

To make matters worse, you have illustrated this contention by citing a situation which occurred in 1972, prior to the organization of this Department in October 1977, and seven years prior to the appointment of the present DAS Commissioner.

The media and the public are left to believe that your criticism was of the present Commissioner. This is not the case and certainly should not appear in the final report.

5. At the same time you are reevaluating the data discussed in point 4 above, we recommend that you reexamine the section on page 33 entitled "Advertising and Identification of Potential Sites." We believe that your recommendations contained therein were based on misinformation and/or incomplete information.

Present policy and practice, contrary to your statement, require that leasing agents contact local real estate agents and boards, comb files for potential lessors and follow-up whatever leads they believe productive. The purpose of these activities is to obtain as many potential lessors as possible to submit proposals. In other words, we do not rely solely on the hope that potential lessors might see our advertisements for space, as inferred in your report.

Please note that present policies and procedures relative to the submission of leasing proposals were installed in 1984, as part of the aforementioned management improvement efforts. The objective was to eliminate proposals going directly to leasing agents, and to achieve more timely closure on the site selection approval process. Now all proposals, including those resulting from our agents' initiative, are received by the contract bidding section of the DAS CAO's Office and opened publicly at one time following the published cut-off date for receiving proposals.

We appreciate the opportunity to comment on your draft report. We hope that this letter and the accompanying comments are useful as you prepare the final version. We look forward to working with you in framing appropriate legislative proposals for consideration during the next session of the General Assembly.

Sincerely,



Elisha C. Freedman  
Commissioner

ECF/b

Attachments

## INTRODUCTION

On April 29, 1986 the Department of Administrative Services received the final draft of the Legislative Program Review and Investigations Committee's report concerning the "state's space acquisition process" and the performance of the Bureau of Public Works in executing its responsibilities associated with that process. The Department has been given the opportunity by the Committee to comment on the Performance Audit. The purpose here is to review for the Committee the Department's response to the analysis and the recommendations contained in the Audit.

While the primary purpose of the Performance Audit is to review the activities of the Bureau of Public Works particularly as it relates to the space acquisition process, there is considerable discussion about the manner in which the State plans for its facilities needs and the role of various other State agencies in reviewing and approving projects that respond to those needs. In this regard, the Committee examined a number of areas that had been reviewed by the Governor's Task Force on Infrastructure, the Finance, Revenue and Bonding Committee (Deloitte, Haskins & Sells Report) and the Citizens Committee for Effective Government (CCEG). A number of conclusions and recommendations made by the Committee have also been made in these other reports. As such, the analysis and many of the recommendations in the Audit provide further documentation in support of the Department of Administrative Services efforts over the past several years to strengthen the planning and management capacities of the Bureau of Public Works.

The Performance Audit is structured into two major sections: Capital Projects and Leasing. This report is structured to follow the format and content of the Performance Audit so as to make it easier for the reviewer to compare the Department's comments and reactions to the analysis and recommendations in the Audit. An attempt has also been made to point out many past actions by the Department that are consistent with and respond to recommendations in the Audit and the reports of the Governor's Task Force on Infrastructure, Deloitte, Haskins & Sells and the CCEG. In some instances, the Department does not agree with recommendations contained in the Audit. In those instances, specific points are made which we would hope the Committee will consider before moving ahead to implement its own recommendations.

## CAPITAL PROJECTS

The description of the Facilities and Capital Plan (FACCAP) process contained in the Audit accurately reflects the current process and some of its limitations. The FACCAP process is relatively new and significant steps have been taken to improve it since its inception. The Governor's Task Force on Infrastructure and the Deloitte, Haskins & Sells Report recommended improvements to the FACCAP process and both the Office of Policy and Management and Department of Administrative Services have taken steps to implement these recommendations. Attachment A is a table prepared for the Finance, Revenue and Bonding Committee that contains a review of the recommendations in those reports and the status of our efforts to implement them.

Recent organizational changes in the Bureau, coupled with the Department's #1 Budget Option for FY 86-87, are intended to strengthen the project planning as well as the long range planning capacity of the Bureau. These initiatives are intended to establish the technical capacity within OPM and DAS needed to have a more effective planning process and FACCAP document. It is important to note that the State is moving in the direction of establishing the FACCAP plan as a Comprehensive Capital Improvement Plan that includes not only requests for new space but also requests for deferred maintenance, the repair and renovation of existing facilities and capital equipment. The State has made significant past investments in facilities and it is critical that FACCAP reflect plans and requirements to preserve and protect that past investment through the systematic and planned renovation and upgrading of existing facilities. This is a point that was not brought out in the Performance Audit. In our judgement, this is as important as the planning of the development of new or additional space.

### Recommendations

Technical Review. The Committee correctly points out that many State agencies do not have the technical capacity necessary to develop comprehensive Capital Project Requests and Agency Five Year Facilities Plans. It has recommended that DAS act in a pro-active manner to identify agencies that need assistance in developing capital projects. In order to do this, the Committee has recommended that the DAS role as technical advisor in FACCAP be clarified and that an emphasis on a pro-active approach to planning be established. We agree with these recommendations with one reservation. That reservation concerns the second recommendation that DAS send to OPM a list of projects that should not be included in FACCAP due to lack of documentation and/or justification. Given the fact that OPM makes the decisions about which projects are included in FACCAP, it may be more appropriate for DAS to simply identify projects which it believes do not have sufficient documentation or justification and then let OPM decide if those projects should or should not be included in FACCAP.

While the Committee focused most of its review of the FACCAP process on the technical aspects associated with the development of capital project requests and facilities plans, it is critical to recognize and understand that agency programmatic requirements dictate many of the projects requested by agencies. The Committee has accurately pointed out that some agencies are ill-equipped to develop comprehensive capital project requests and facilities programs. It should also be pointed out that without a clear understanding and definition of agency programs and the future direction of those programs it is difficult to translate them into a facilities plan or capital project requests. Given the need to identify programmatic requirements first and then to translate those requirements into plans and specific project requests, the Committee may also want to consider enhancing the capacity of agencies to better define and articulate their programs. While DAS endorses adding the technical capacity within the Bureau to help agencies develop their FACCAP documents, that additional capacity may be wasted if agencies have not thought out their programmatic requirements in a well reasoned and comprehensive fashion.

Lease vs. Buy/Build. The Committee has recommended that State Statutes be amended to clearly articulate that DAS should be responsible for reviewing space requests to determine if it is in the best interests of the State to own rather than lease space. This should be done as part of the FACCAP process. DAS concurs with this recommendation and points out that current State policy is to develop State-owned facilities in lieu of long-term lease arrangements. Recent budget initiatives by the Governor and the General Assembly to implement a multi-year program of developing State-owned offices in the Capitol Center District as well as in the State's major urban areas to replace existing leased space are consistent with this policy and future Capital Budget Requests by the Department of Administrative Services will continue to reflect this policy.

FACCAP Schedule. The Committee has recommended that the development of the FACCAP be separated from the development of the Annual Capital Budget Request and that to do this the Statutes be amended to provide for the publication of the FACCAP by September 1 of each year. In making this recommendation, the Committee cites the pressures on the Office of Policy and Management when the State-wide Operating and Capital Budgets are being developed and that limited time is available to thoroughly review FACCAP requests. The Governor's Task Force on Infrastructure also reviewed the FACCAP schedule and recommended the FACCAP be released with the Capital Budget. This recommendation was recently adopted by the General Assembly. Given the fact that facilities requirements are driven by agency programmatic needs, it will be difficult to formulate the Facilities and Capital Plan prior to the development of the State's operating budget which is the primary policy document regarding programs.

Clearly, the Office of Policy and Management needs a sufficient amount of time to review agency operating budget requests, which are program oriented, to determine if they are consistent with agency long range program priorities and plans. Once decisions are made with regard to the operating budget, the facilities plans submitted by the agencies can be reviewed to determine if they meet the programmatic decisions contained in that operating budget not only for the immediate year but for future years.

Bond Authorizations. The Committee has recommended that "Bond Authorizations for space related capital projects include a sunset date to terminate the authorization if construction does not begin within ten years". DAS agrees with this recommendation and believes that it may be appropriate to apply a sunset provision to all bond authorizations, not just those related to new or additional space. Over the past several years a concerted effort has been made by the Finance, Revenue and Bonding Committee to review prior authorizations and cancel projects which are no longer viable or appear to be substantially under funded because they have not proceeded in the time frames originally planned.

Notwithstanding these efforts, the Committee has also supported changes in the wording of prior authorizations to allow for greater flexibility in the use of those funds. For example, the wording of a number of prior authorizations for the renovation and repair of facilities has been amended to permit those funds to also be used to implement energy conservation, handicapped accessibility and asbestos removal projects. Given the nature of the projects that the amended wording has permitted, it has made sense to broaden the wording of prior authorizations to permit these items to be incorporated into repair and/or renovation projects that have previously been identified. We agree with the Committee's recommendation with regard to limiting the amount of changes in the wording of prior authorizations and to establish a sunset requirement, but it must be recognized that there have been situations in the past where it was justifiable to broaden the wording of prior authorizations.

Review of FACCAP by SPRB. The Committee has recommended that section 4-26b(c) of the C.G.S. be amended to eliminate review and comment on the FACCAP by the Properties Review Board given the fact the Board's primary role is that of an independent control on the implementation of FACCAP projects. The Department of Administrative Services agrees with this recommendation.

Legislative Approval of Acquisitions. The Committee has recommended that section 4-26(a) of the Statutes be amended to provide a simplified and consistent procedure for DAS to follow in acquiring property. DAS supports this recommendation.

DAS Implementation Responsibilities. DAS endorses the Committee's recommendation that section 4-26b (e) be amended to clarify the responsibilities of DAS in implementing FACCAP and the role of the State Properties Review Board to review and approve the implementation actions taken by the DAS Commissioner. It is very important that the distinction be maintained between an operating agency (DAS) which is charged with implementing facilities decisions versus an oversight agency (SPRB) which is primarily responsible for insuring that DAS implements facilities projects in a manner consistent with State law and regulations.

Real Property Purchasing Procedures. When reviewing the procedures followed for real property purchases, the Committee did not find that procedures were followed in a formal or consistent manner in all cases that it reviewed. The Committee has recommended that a formal procedure prescribing the process to be followed in purchasing real property is developed by DAS. The Committee suggested that six elements at minimum be included in that formal procedure.

DAS agrees with the thrust of this recommendation and points out that a standard acquisition process has been in effect at the Bureau since late 1983. Attachment B contains a summary of the steps included in that process. While most of the procedural steps recommended by the Committee are included in the existing process, the emphasis of the Committee's recommendation is for better analysis and documentation of the critical elements of the real property acquisition process. This is a valid concern and one which the Department has recognized. The Department responded by incorporating into the FY 86-87 Operating Budget Request additional staff positions for this area.

## LEASING

Description. The Performance Audit contains an extensive description of the process DAS must follow to implement a request for leased space. The description in the Audit accurately reflects the process with two exceptions. The first relates to Step #3 and the role of the Facilities Planning Section in reviewing lease requests to determine if existing State-owned or leased space is available to meet agency needs. At that point, the Planning Section also reviews the agency request to determine if the amount of space requested is consistent with established space standards. Once that review is completed, the analysis is forwarded to the Leasing Section. The second exception relates to Step #9 in the process. The Facilities Planning Section provides space layout services to agencies once a site has been identified. This is a relatively new role for the Section and one which will continue to grow given the recent acquisition of computer-aided design capabilities within the Management Services Division of the Bureau.

### Analysis and Findings

In 1984, the Department of Administrative Services asked the Citizens Committee for Effective Government to review the Leasing operation and make recommendations to improve operational effectiveness. That study was completed in July of 1984. The CCEG study made a number of recommendations similar to those in the Performance Audit. Attachment C contains a comparison of the recommendations in the reports. All 31 files reviewed by the Committee preceeded changes recommended and implemented by the Department in its leasing process as a result of the CCEG study.

Processing Times. In the review of the time required to process leases the Committee developed a useful set of data that can be used to measure the effect of the Department's efforts to implement both the recommendations of the CCEG study and the Committee's Performance Audit. Clearly, a reduction in the number of steps in the process as recommended by the Committee should result in a reduction in the amount of time required to implement leases. DAS endorses efforts in this regard.

Adherence to Process. In its review of the 31 files, the Committee pointed out instances in which there was deviation from the leasing process previously discussed. The most frequent deviation from the normal process found by the Committee was "party acting beyond normal role" which occurred in six instances. In three cases, agencies acted beyond their role. While the Department makes every effort to make clear what agencies may and may not do in terms of finding potential lease sites, DAS is limited in its ability to control their actions. In three instances the Committee cited involvement by the DAS Commissioner or Deputy Commissioner earlier in the lease process than is normally expected. While the Committee made no judgement in the Performance Audit as to whether or not the actions by the Commissioner and Deputy Commissioner were appropriate, an incorrect inference could be made that early involvement was improper. So as to avoid any misunderstanding or misinterpretation of this aspect of the Audit, the following information is provided with regard to the three instances cited:

Connecticut Product Development Corporation. This case involved a request by the agency for space which resulted in it moving to property on Oak Street in Hartford in 1982. The Commissioner became involved because the agency wrote to the Commissioner indicating that the space initially recommended by DAS was unsatisfactory and requested that alternative sites be investigated. The Commissioner's involvement consisted of expediting a review with all parties of the agency's dissatisfaction with the site selected by the Department and the development of alternative sites which eventually led to the Oak Street site.

DOT - Pascone Place. This file dates back to 1972 which precedes the creation of the Department of Administrative Services, the current Commissioner and the procedures established by DAS for implementing lease requests. Given the age of the file and the organizational changes that have occurred since 1972, it is not very useful to review the involvement of the Commissioner at that time.

1049 Asylum Avenue, Hartford. This file involves the former IBM building which houses three different State agencies. The involvement of the Deputy Commissioner of the Bureau of Public Works consisted of directives to the Bureau staff involved reiterating the need for detailed space planning to accommodate the three agencies that would be co-located in the building. The involvement of the Deputy Commissioner related to his responsibilities as manager of the Department in implementing the lease request so as to assure that all steps in the leasing process were implemented in a timely and proper manner.

### Recommendations

Quality Control and Supervision. Issues relating to quality control and supervision were one of the reasons why the Department asked the Citizens Committee for Effective Government to review the leasing operation. The Committee reviewed many of these same issues. Outlined below are DAS comments with regard to the specific recommendations made by the Committee:

"Require thorough documentation of the site selection and negotiation process for each lease" - A form has been developed to document the site selection process and has been in use within the Leasing unit since January. The leasing agents are required to keep diary sheets in files documenting phone conversations and negotiation discussions. Offerings from landlords must be documented by letter or by sign-off on the Lease proposal outline. These procedures are either new in the past year, or are being reemphasized, and would not have been part of the 31 files audited.

"Establish a formal quality control system to provide review of all lease proposal outlines and leases before they are sent outside the unit" - This is already being done on Lease Proposal Outlines. The establishment of a Quality Control person will enhance this process. This position was recommended by the CCEG and will be incorporated into the agencies' FY 87-88 Operating Budget Request.

"Develop specific time standards for the various steps within each phase of the lease process" - This has already been done and was implemented in June of last year.

"Institute a lease tracking system to monitor the progress of leases and compare processing times to the standards to be established for each step in the lease process." This is being done on a limited basis and the Department agrees with the need for a more comprehensive system.

"Evaluate the performance of each agent at least monthly using the information obtained from the quality control and lease tracking systems. Continued substandard performance should result in either training or disciplinary action." Evaluation of performance based on quality standards and timeliness was introduced last year to the Leasing agents. This recommendation was part of the CCEG report. A quarterly, rather than monthly evaluation may be more effective, with formal evaluations as required but at least annually in accordance with the collective bargaining agreements.

As can be seen, DAS has been proactive in implementing the recommendations in the CCEG Report. The recommendations made by the Committee mirror many of these recommendations.

Lease Management. DAS has recognized the need to strengthen the Lease management function within the Department and, as part of the agency's #1 Budget Option in the FY 86-87 Operating Budget Request, a position was requested to monitor compliance with lease terms and to resolve agency complaints relating to non performance on the part of lessors. The analysis contained in the Audit supports the need for strengthening this function. Those recommendations go beyond the measures envisioned in the agency's Budget Option and as such, DAS agrees that two positions would be necessary to implement the Committee's recommendations.

Expedited Renewal Process. DAS concurs with the Committee analysis regarding the renewal process and welcomes the opportunity to work with the Committee to develop an expedited process for the renewal of existing leases. As pointed out in the Audit, this will require a statutory change and a clear definition of the role of each of the agencies involved and the development of a clear set of criteria to be used by each in reviewing, approving or disapproving a renewal.

FACCAP Approval Process. The Committee has made several recommendations with regard to modification of the FACCAP approval process as it relates to leased space. If implemented, these changes would reduce duplication and the time required to implement leases. DAS concurs with these recommendations and looks forward to working with the Office of Policy and Management and the Committee in developing any legislative proposals needed to implement them.

Emergency Certification. The issues raised by the Committee in the Audit concerning emergency certification deal primarily with the role of the Office of Policy and Management. As such, the DAS response is limited to pointing out that Emergency Certification requests have been processed in the manner suggested by the Committee since June of last year. The sample leases reviewed by the Committee predated the change in the manner in which emergency certification requests are processed.

Advertising and Identification of Potential Sites. Current DAS procedures by which the Department identifies property owners interested in leasing space to the State provide that it consider:

- (1) offers made in response to newspaper advertisements with specific deadlines for the submission of proposals to the State,
- (2) offers from the present lessor (in the case of an expiring lease) and
- (3) offers resulting from the leasing staff contacting potential proponents.

The Audit did not point out that the Leasing staff acts in a proactive manner to generate lease proposals. As such, the Committee has suggested that the DAS procedure is contrary to the intent of State Statutes which is to open the leasing process and encourage proposals from all interested parties. The Committee has recommended that DAS not limit itself to proposals submitted only in response to advertisements. This, in fact, is current practice.

DAS agrees that while the lease process should be as open as possible, it is also imperative that it be structured so as to protect the State against claims of favoritism or political interference in the selection of leased facilities. The process must be structured so as to protect the Department from accusations that it picked a property to lease for political considerations rather than the fact that the property offered was the best available to the State.

Leasing Procedures. DAS agrees with the Committee's analysis with regard to leasing procedures and the need for better defining the role of the various participants in the process. The Department has been working during the past year to develop a procedural guide for Leasing that is intended to address this concern. In reviewing the statutes, the Committee found that the responsibility of each of the participants is not clear. It may be appropriate for the General Assembly to amend current statutes to clarify ambiguity that may exist. Once that has been done, it will be easier for the agencies involved to promulgate regulations that are consistent with one another.

Conflict of Interest. The Committee has pointed out that Leasing agents have considerable discretion in conducting negotiations with lessors and that, while this discretion is necessary, it is important that the Department have complete and accurate documentation of all negotiations. The Committee has also pointed out that, given the fact that some Leasing agents have real estate licenses, the potential exists for the appearance of a conflict of interest on the part of State employees who are responsible for leasing property for State agencies as part of their State employment, and also lease property for private clients as part of outside real estate activities.

The Department is also concerned about the appearance of conflict of interest. In October 1985, the Department adopted and distributed a Credo which in part reads: "We believe that personal gain, either immediate or in the future, secured by the misuse of one's position is totally unethical. Public service is a public trust." Attachment D is a copy of that Credo. More recently, leasing agents were requested to place their real estate licenses in escrow as a further measure to limit, to the extent possible, the appearance of any conflicts of interest. This request is currently being challenged by some of the employees involved through union representation. The recommendations put forth by the Committee in the Performance Audit would establish additional measures to protect the State and the individuals involved and the Department supports those recommendations.

Distribution of Workload. The Committee reviewed the workload of the various staff within the Leasing Division and accurately pointed out that there is a disparity in the allocation of this workload. The Department has recently created the position of Director of Leasing and Property Transfer which is a critical administrative/management position to oversee the day-to-day operations of the Leasing Division. Clearly, any unequal distribution of the Division's workload among Leasing agents will be reviewed by the Director and result in appropriate reassignment of the workload.

## Summary

The Department of Administrative Services concurs with most of the recommendations made by the Committee in its Performance Audit. Many of these recommendations were also made by the Governor's Task Force on Infrastructure, DeLoitte, Haskins & Sells in their report to the Finance Revenue and Bonding Committee and the Citizens Committee for Effective Government. Some of the recommendations have already been implemented and DAS is in the process of implementing others. As such, the Performance Audit provides a validation of the efforts to strengthen the management, planning and organization of the Department. We believe the focus of the Performance Audit is positive, although there are certain instances in which Audit did not fully explain its findings or past actions by the Department to deal with deficiencies that have been documented. It is hoped that the comments and analysis contained herein will be useful to the Committee in focusing its efforts over the next several months on framing appropriate legislative proposals to implement the recommendations in the Audit. The Department looks forward to working with the Committee in developing those proposals.

Finally, the Department appreciates the opportunity to review and make comment on the Performance Audit so that the position of the Department can be incorporated into an Appendix of the Performance Audit when it is published in final form.

## STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT



May 12, 1986

Mr. Michael L. Nauer, Director  
 Legislative Program Review and Investigations Committee  
 Legislative Office Building  
 18 Trinity Street  
 Hartford, CT 06106

Dear Mr. Nauer:

Thank you for your letter of April 30, 1986 providing us with the opportunity to review the final draft report of the Legislative Program and Review Committee Performance Audit of the Bureau of Public Works Space Acquisition Process. OPM staff has been in periodic contact with your staff during the preparation of the report and have provided them with information and some reaction to developing recommendations.

Now that the report has been accepted by the Committee and will be distributed for public review, we would like to go on record with some of the continuing concerns we have and to request the opportunity for further input, particularly as the recommendations are translated into specific legislative proposals.

We concur with the basic thrust of the report particularly as to strengthening the facility planning process, streamlining the leasing process and clarifying the specific roles and responsibilities that OPM and DAS have in each process.

Since 1979 when OPM took over the responsibility for preparation of the Statewide Facility and Capital Plan (FACCAP), we have expanded and strengthened the process each year both by broadening the scope of the plan, expanding agency involvement in the preparation process and by improving the format of the plan. Changes in FACCAP have also been proposed as a result of recommendations of the Governor's Infrastructure Task Force to enhance long range planning and capital budgeting.

A budget option for OPM was proposed for fiscal year 1986-87 to enhance the capital planning, programming and budgeting process. This was not approved. However, to the extent feasible, we will continue to work to improve FACCAP and to work with DAS and the line agencies in capital improvement planning and budgeting as well as leasing. Changes proposed in your report would appear to place a greater role for DAS in the preparation of FACCAP and may allow us to reallocate some staff time to address the broader issues related to comprehensive long range capital improvements planning, programming and budgeting.

Specific comments on the report recommendations include the following:

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### 1. Relationship of FACCAP to the Budget Process

The relationship of FACCAP to the budget process is an important issue to us. Considerable attention has been given to the issue of budget driving FACCAP versus FACCAP driving the budget and to changes in specific FACCAP recommendations from one year to another. These issues relate directly to the timing of FACCAP and of the budget submittal and preparation process.

FACCAP currently is submitted to the General Assembly on March 15 or about a month and a half after the budget. We agree that this timing is poor. HB 5720 changes this date for next year to correspond to the budget submittal date. Your report proposes a September 1 submittal date. We would like to have continuing input into any future changes in the submittal date to assure that the plan preparation and budget preparation processes are effectively integrated and based upon agency program plans.

Agencies are now required to submit their FACCAP requests to OPM by August 1. Thus agency space request information is available during budget preparation time. Program budget analytical work is useful in deciding what should be recommended in FACCAP. This does occur in the fall. Furthermore, if FACCAP had to be completed by September 1, agency requests would have to be submitted so early that they would probably not know what the legislature had approved for the upcoming year. This information would be necessary in part, to determine what an agency would request for the following year(s).

It is also important that each agency develop a good program plan prior to developing their operating/capital budget, and facility plan. Neither the facility plan or the operating/capital budget requests to OPM can be very meaningful without being based on a good program plan.

The committee report gives considerable attention to the point that "projects are frequently added to the capital budget without having appeared in a previous plan, that many projects are dropped from the plan, and that projects routinely shift backward and forward in the plan. Staff believes that these problems are a result of the inappropriate and diffused roles of the agencies that develop FACCAP." This results not so much from "inappropriate and diffused roles" but from a combination of changing agency programmatic or work load needs, yearly variances in financial resources projected to be available for budgeting and possible shifts in overall budget priorities. Enhanced agency program planning can be helpful but there will always be some changes in FACCAP over time.

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## 2. Sunset Date for Authorized Projects Not Completed

The report suggests the termination of projects over 10 years old and would require OPM to compile a list. The Finance Committee of the General Assembly each session diligently reviews each outstanding bond authorization for need, priority and adequacy of funds authorized. This process works well, as shown by the large cancellations and transfers in recent years.

If, however, it is the firm belief of the committee that periodic review be made as a requirement, review after 5 years might be more appropriate than 10 years. Projects beyond this time often change in scope and/or require additional funding.

## 3. Removal of the SPRB from the FACCAP Review Process

The report recommends the removal of the FACCAP review and comment function from the State Property Review Board (SPRB). This recommendation seems to be based upon the statement that the SPRB approves the FACCAP or projects in the plan. The Board does not approve FACCAP or any specific recommendations contained in the plan. They do, however, comment on the plan. This commentary addresses process, adequate treatment of issues and legislative requirements. Therefore, their commentary generally concerns the overall direction of the plan.

We do not have any problems with the existing review role performed by the Board and have found it helpful. The SPRB is currently the only independent reviewer of the draft FACCAP.

## 4. Lease Proposal Outlines and OPM Approval

The report recommends that "DAS submit to OPM for approval only those negotiated lease proposals that exceed the approved cost or exceed the approved square footage by at least 10 percent." We do not have any problems with leases proceeding when in conformance with the plan, however, we want to see and approve all lease proposal outlines before commitments are made to execute the lease.

The report goes on to recommend that "OPM to act on lease proposals within 10 working days or the proposal is deemed approved." This is not feasible. While we agree with the intent, there are situations beyond our control which would prevent response within 10 days. We could live with a mandate to approve, disapprove or place the proposal in a hold situation for a definitive reason within 10 working days.

Michael L. Nauer, Director  
Legislative Program Review and Investigations Committee  
May 12, 1986

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5. Lease vs. Buy/Build Decision

Considerable emphasis in the report and committee discussions was placed on who makes the decision to lease or to buy/build. It was suggested that there was conflicting testimony from OPM and DAS on this point. However, there are different kinds of decisions that are made by each agency.

In reality an agency asks for space and it is the responsibility of DAS to place the agency in leased or owned space. OPM through FACCAP approves an amount of space in the planning stage and approves a specific lease proposal (LPO) or a specific capital project or capital budget recommendation through the budgeting process at the implementation stage.

In summary, we concur with efforts to simplify the leasing process but stress our continued need for approving proposed actions, including space requests, at the planning/budgeting stage and prior to committing the State to actions that have financial obligations.

We also concur with the intent to have DAS take a more active role in preparing FACCAP by assisting agencies with their FACCAP requests and providing OPM with technical input.

We hope these comments have been helpful to you.

Sincerely,



Anthony V. Milano  
Secretary

AVM/cb



