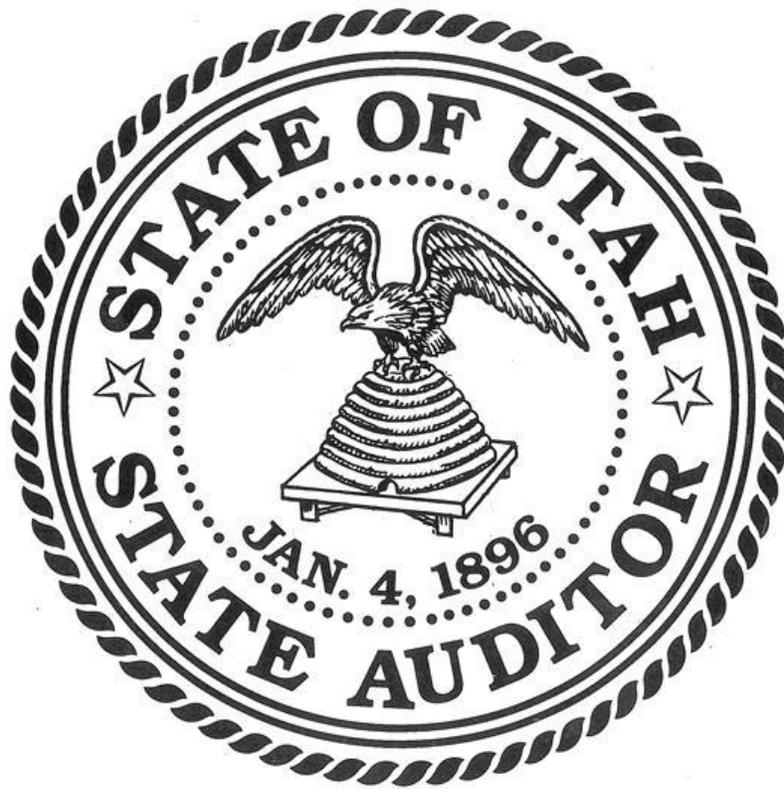


Performance Audit No. 14-01

A Performance Audit of State Buildings and Land



**OFFICE OF THE
UTAH STATE AUDITOR**

David Pulsipher, CIA, CFE
Rachel Dyer, MPA
Nick Purse, JD, MPA

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OFFICE OF THE
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February 3, 2014

The Office of the Utah State Auditor has conducted *A Performance Audit of State Buildings and Land* and presents its findings herewith. An accurate building inventory allows the state to account for and efficiently use valuable capital assets, while accurate valuations limit state risk through appropriate insurance coverage and maintenance funding. The use of other state assets, such as land, grants the state access to existing resources while limiting needs for additional funding. Conversely, failure to maximize the use of state resources could lead to the acceptance of unnecessary risk and cost.

This performance audit attempted to identify and evaluate the use of state-owned and state-leased buildings and land owned by the Division of Facilities Construction and Management (DFCM). It became apparent during the course of audit work that an accurate inventory of state-owned and state-leased buildings does not exist, complicating a full review of the efficient use of space. While it appears that state entities have improved their use of space over the last several years, correcting weaknesses in building procurement and inventory tracking would lead to further improvements in overall efficiency and allow for a full review of space utilization.

Audit work, which commenced in October 2013 and concluded in December 2013, included the following:

- Comparison of building inventories from DFCM, the Division of Risk Management (Risk Management), the Department of Human Resource Management (DHRM), and individual state entities
- Review of applicable state statute and administrative rules
- Physical tours of select state buildings and land
- Comparison of actual building values with reported building values
- Discussions with staff from DFCM, Risk Management, DHRM, and state agencies

During the course of the audit, we also discovered control weaknesses in the authorization of access to office space in the Capitol Complex. A limited review of access to electronic doors demonstrates the need for improved controls to prevent unauthorized access to potentially sensitive information. While the limited review focused solely on access to the Capitol Complex, similar concerns may exist in other state buildings.

Finding 1 concludes that no accurate inventory of state-owned and state-leased buildings exists. **Finding 2** demonstrates how the state could reduce annual lease payments in Salt Lake County by almost \$5 million. **Finding 3** shows that state entities underinsure almost \$200 million of buildings. **Finding 4** demonstrates how existing state-owned land could benefit existing operations. **Finding 5** recommends improving controls over access to office space in the Capitol Complex.

We recognize and appreciate the cooperation of the Department of Administrative Services, DHRM, the Department of Human Services, the Department of Public Safety, and individual state entities throughout the course of this audit. Additionally, we recognize that the Department of Administrative Services began implementing several recommendations made in this report shortly after they were made aware of the concerns.

Sincerely,

David S. Pulsipher, CIA, CFE
Performance Audit Director

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Executive Summary

The state could improve overall accounting for owned and leased buildings and owned land. The Division of Facilities Construction and Management (DFCM) and the Division of Risk Management (Risk Management) require accurate building inventories to fully accomplish their agency objectives, while the Department of Human Resource Management (DHRM) relies on building inventories to track the physical location of state employees. The additional use of land and improved control over building access on the Capitol Complex will also benefit the state and its taxpayers.

Finding 1: No Reliable Office Building Inventory Exists

DFCM, Risk Management, and DHRM do not individually or collectively accurately account for state-owned and state-leased office buildings, complicating a comprehensive space utilization review. Each data source varies greatly from the others, causing confusion about what office buildings the state actually owns or leases. Additionally, without a clear, definitive inventory of owned and leased office space in the state, these assets may be at risk for being uninsured or improperly utilized. Additionally, it does not appear that DHRM has a clear accounting of where state employees are located.

Use of a congruent data source for DFCM, Risk Management, and DHRM, will allow the state to better insure some of its most valuable assets, track employee location, accurately manage building risk, and maintain only necessary space.

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

Twelve leases for office space in Salt Lake County could potentially be consolidated into a state-owned building, reducing annual lease costs by almost \$5 million. While leasing office space may be beneficial for an agency whose needs may change over a short-term time horizon, the state may benefit from housing agencies with more stable needs in state-owned buildings.

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

At least 197 of all state-owned or state-leased buildings (six percent) are underinsured by a total of almost \$200 million, potentially creating an unfunded liability to the state. Some state entities have chosen to insure buildings based on their historical value, without adjustments for the buildings' actual replacement costs. We recommend that the Legislature require state entities to insure their buildings based on their replacement costs, or receive an exemption from Risk Management.

Although Risk Management is responsible to ensure that insured entities do not accept unapproved risks, it also covers the costs of uninsured damages without repercussion to the state entity. In order to increase individual state entity accountability, we recommend that Risk Management charge state entities an appropriate coinsurance or other penalty on damages in excess of the insured value.

In addition to increasing the state's liability, undervaluing state buildings improperly alters the amount of capital improvement funding necessary to maintain buildings. The State Building Board would receive up to an additional \$2.2 million per year by valuing these 197 buildings at their actual replacement value.

Finding 4: The Use of State Land Would Benefit State Entities

DFCM owns parcels of vacant land throughout the state that could be used to benefit state agency operations and functions. Additionally, if the land were privately owned, property taxes generated from the developed land could benefit state and local governments.

Development of up to 280 acres of vacant land near the Utah State Developmental Center (USDC) could provide funding for dilapidated USDC buildings and infrastructure, improving the overall quality of care for more than 200 individuals. Proceeds from the use of this land are statutorily obligated to be used by the Division of Services for People with Disabilities.

DFCM owns 10 acres of land in Salt Lake City that could be sold or developed to benefit the state. This land, known as the "white ball field," sits directly south of the State Fairpark and a newly-completed Trax stop between Downtown Salt Lake City and the Salt Lake City International Airport. While the state is statutorily obligated to lease this land to the State Fair Corporation until 2017, we recommend that DFCM begin proposing options for how the sale or development of this land could best benefit the state and its taxpayers. The State Fair Corporation currently uses this land for parking for the annual 11-day State Fair.

DFCM owns two other lots in northern Utah that will not likely be used by the state in the near future. It appears that DFCM may own additional lots that are currently unknown. Therefore, we recommend that DFCM identify all owned vacant land and create a plan for its present or future use.

Finding 5: Unmonitored Building Access Threatens Capitol Security

Access to office space in the Capitol Complex is not always controlled and monitored, jeopardizing the security of sensitive data retained by state entities housed in the buildings. More than 89 percent of employees who have access to offices for two state entities housed in the Capitol Complex are non-entity employees and were not approved to have access by the individual office directors. Most of these non-entity personnel, including some non-state employees, have unrestricted access to office space.

Electronic access cards are not always deactivated immediately upon termination or job reassignment. Additionally, it does not appear that lost access cards are deactivated when a new access card is issued. Regular updates and reviews, in addition to greater scrutiny of necessary access, could minimize the risk of unauthorized access to offices in the Capitol Complex.

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Background

According to the Division of Facilities Construction and Management (DFCM)—a division within the Department of Administrative Services (DAS)—state entities occupy 265 office buildings throughout the state.¹ According to the state *Administrative Services Code (Utah Code 63A)* DFCM has the duty to

“[S]upervise and control the allocation of space, in accordance with legislative directive through annual appropriations acts or other specific legislation, to the various departments, commissions, institutions, and agencies in all buildings or space owned, leased, or rented by or to the state, except capitol hill facilities and capitol hill grounds and except as otherwise provided by law.”

DFCM also has the statutory responsibility to “hold title to, in the name of the division, all real property, buildings, fixtures, or appurtenances owned by the state or any of its agencies.” With the exception of Department of Transportation projects, DFCM oversees all state agency construction projects that exceed \$100,000.

Additionally, DFCM oversees the acquisition and, at times, maintenance of leased space. Statute requires DFCM to “lease, in the name of the division, all real property space to be occupied by an agency.” Therefore, state entities subject to the *Administrative Services Code* should coordinate space needs with DFCM, which ultimately identifies reasonable space and negotiates the terms of occupancy.

Another division within DAS—the Division of Risk Management (Risk Management)—insures against building and content loss and personal accidents and is required to “maintain records necessary to fulfill the requirements of the [*Administrative Services Code*].” In addition to insuring buildings, Risk Management also provides a list of building values to the State Building Board (Board) and the Legislature for the appropriation and prioritization of capital improvement funds. The Legislature may appropriate an estimated 1.1 percent of building replacement costs for capital improvements, and appropriated 0.9 percent in fiscal years 2013 and 2014.

¹ Finding 1 of this report cites concerns that DFCM does not have a complete inventory of office buildings and facilities used by state entities. By comparison, the Division of Risk Management cites 792 office buildings occupied by state entities while the Department of Human Resource Management accounts for approximately 316 unique office buildings. It appears DFCM may misclassify some office buildings actually in use in addition to not maintaining an accurate office building inventory. Higher education and public education facilities were not reviewed for this audit.

The Board, which is composed of eight members, recommends a prioritized list of capital improvement projects and building requests to the governor and the Legislature. The Board includes seven members who are appointed by the governor. The executive director of the Governor’s Office of Management and Budget also serves on the Board as a non-voting member, and a DAS employee serves as staff to the Board. The seven voting members, who each serve four-year terms, represent the following geographical areas:

- Cedar City
- Logan
- Ogden
- Orem-Provo
- Salt Lake City
- St. George
- Vernal

Separate from DAS, the Department of Human Resource Management (DHRM) also maintains an inventory of state buildings, though it is not necessarily a requirement of the department’s function. This list serves as a mechanism to account for state employees and could be useful in case of an extraordinary event in which it were necessary to identify which employees work in a given building. Though DFCM tracks the number of employees in a specific building, the division does not necessarily independently track individual employees.

The building inventory prepared by DHRM is independent from inventories maintained by DFCM, Risk Management, and individual state entities. The DHRM building inventory is generally updated by human resource employees after receiving notification from the state entity.

Finding 1

No Reliable Office Building Inventory Exists

The Division of Facilities Construction and Management (DFCM), the Division of Risk Management (Risk Management), and the Department of Human Resource Management (DHRM) do not individually or collectively accurately account for state-owned and state-leased office buildings, complicating a comprehensive space utilization review. Each data source varies greatly from the others, causing confusion about what office buildings the state actually owns or leases. Additionally, without a clear, definitive inventory of owned/leased office space in the state, these assets may be at risk for being uninsured or improperly utilized. Additionally, it does not appear that DHRM has a clear accounting of where state employees are located.

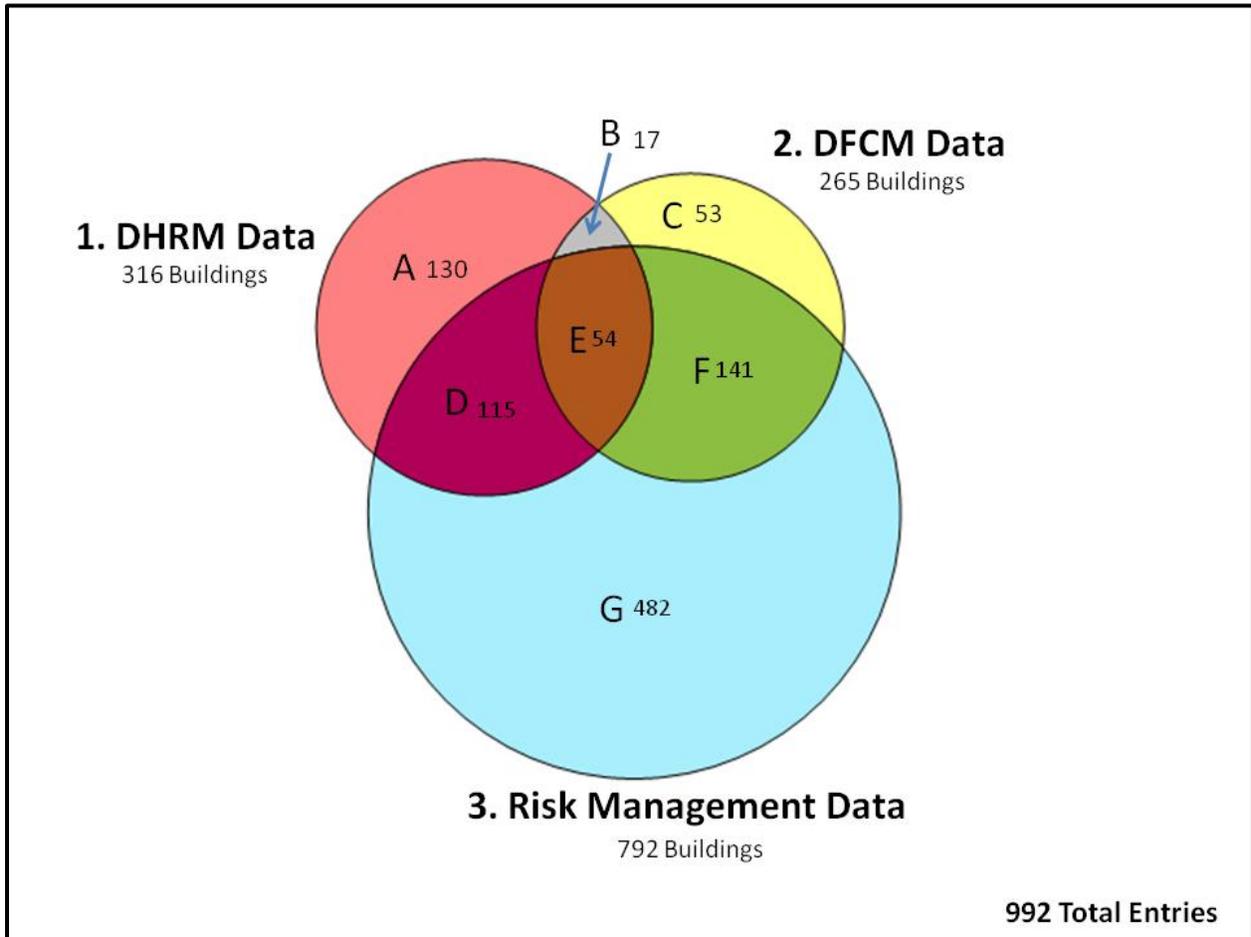
Use of a congruent data source for DFCM, Risk Management, and DHRM, will allow the state to better insure some of its most valuable assets, track employee location, accurately manage building risk, and maintain only necessary space.

Inconsistencies Exist Between DFCM, Risk Management, and DHRM Office Building Inventories

No entity in the state has a comprehensive and accurate accounting of owned and leased buildings and office space used by state entities. Though DFCM and Risk Management have recently increased the reliability of the state's building inventory, none of the databases accurately reflects the facilities actually used by state entities. An accurate accounting of buildings would help DFCM, Risk Management, and DHRM to fulfill their individual obligations and to realize their individual missions.

Figure 1.1 shows the intersection of data from these three data sources. With the exclusion of areas A, C, and G, each area represents a match with at least one other data source. Though some office buildings found in areas A, C, and G may refer to the same building, we were unable to definitively match the office buildings due to a lack of information (e.g., no address, vague description, wrong/conflicting addresses, improper classification, etc.) in at least one of the databases. Ideally, DFCM, Risk Management, and DHRM should have a similar record of facilities used.

Figure 1.1 Inventory of Office Buildings Leased/Owned by State Agencies. DFCM, Risk Management, and DHRM each maintain separate building databases.



Source: OSA Analysis

Figure 1.1 demonstrates the differences between the state office building inventories of three state entities that rely on accurate building inventories.

Despite the independence of each database, Risk Management and DFCM use the same asset identification number when accounting for buildings. Risk Management assigns this number to new buildings as well as to new renovation/construction projects. However, in some situations, when the renovation is complete, Risk Management does not necessarily delete the temporary asset identification number, which results in one building having multiple asset identification numbers. Despite this concern, the asset identification number facilitates matching the Risk Management and DFCM databases.

In order to identify buildings from the DHRM database that matched these sources, we compared addresses and/or office building names or descriptions. The building identification number that DHRM uses to identify buildings and employee locations is self-generated and unrelated to the asset identification number that Risk Management and DFCM use. There does

not appear to be any coordination between DHRM and the other data sources regarding tracking owned and leased buildings used by state agencies.

Potentially Misclassified Buildings Complicate Data Comparisons and Limit the Ability to Complete a Comprehensive Review of Office Space. While DFCM and Risk Management, two divisions of the same state agency (the Department of Administrative Services), only share 195 office buildings in their separate databases (see areas E and F), part of the discrepancy may be due to misclassified buildings. For example, an additional 269 buildings match in both databases; however, these buildings are classified as “office” buildings in Risk Management’s database and “miscellaneous” in DFCM’s database. While it appears that many of the buildings classified as “miscellaneous” by DFCM may in fact be office buildings, the actual function of these buildings is unclear.

We are concerned that no state entity has an accurate inventory of office buildings. Notwithstanding potentially misclassified buildings, DFCM still has 70 office buildings that are not in Risk Management’s database (see areas B and C), while Risk Management has 328 buildings for which DFCM does not account (see areas D and G, less 269), assuming all 269 “miscellaneous” buildings in DFCM’s database that are classified as office buildings by Risk Management are indeed office buildings. Improved coordination between these two divisions will help to ensure that all state-owned and state-leased buildings are identified and used efficiently.

Incomplete Databases Hinder DFCM’s Ability To Accomplish its Obligations and Mission

Among other duties, the *State Administrative Services Code* requires that DFCM:

- *“supervise and control the allocation of space... to the various departments, commissions, institutions, and agencies in all buildings or space owned, leased, or rented by or to the state...”*
- *acquire... and hold title to, in the name of the division, all real property, buildings, fixtures, or appurtenances owned by the state or any of its agencies...*
- *collect and maintain all deeds, abstracts of title, and all other documents evidencing title to or interest in property belonging to the state or any of its departments...”*

Therefore, DFCM bears a responsibility of keeping an accurate database of buildings owned and leased by the state. Collaborating with other state entities that use relevant information about buildings, such as Risk Management and DHRM, will increase the accuracy and reliability of DFCM’s database. Additionally, increased collaboration will further help Risk Management and DHRM to accomplish their agency objectives relative to the use of buildings.

Figure 1.1 identifies 482 office buildings found in area G that are unaccounted for by both DHRM and DFCM. Upon closer analysis, it appears that many of the office buildings in this area

are, in fact, used by the agencies. This could mean that either DFCM does not have record of many of these office buildings in their own building inventory or DFCM misclassified office buildings. Regardless of the reason, we are concerned that DFCM does not have an accurate office building inventory.

Since DFCM is responsible for negotiating leases and maintaining most buildings owned and leased by the state, they should have an accurate inventory of office buildings used by state agencies. However, DFCM’s database is incomplete and inaccurate. The potential effects of office buildings being accurately or inaccurately accounted for in each of the areas in Figure 1.1 are varied. Figure 1.2 shows potential effect of existing or non-existing office buildings in each of the areas.

Figure 1.2 Potential Negative Effects of Inaccurate Accounting of Office Buildings. None of the three data sources provide an accurate accounting of state-owned and state-leased office buildings.

Area	Source	Potential Negative Effect if Office Building Does Exist	Potential Negative Effect if Office Building Does NOT Exist
A	DHRM only	Uninsured office building and contents; DFCM did not procure lease on and/or is not maintaining existing office building	DHRM not aware of accurate employee location
B	DHRM/DFCM	Uninsured office building and contents	DFCM has an inaccurate office building inventory; DHRM not aware of accurate employee location
C	DFCM only	Uninsured office building and contents; DHRM not aware of accurate employee location	DFCM has an inaccurate office building inventory
D	DHRM/Risk Management	DFCM did not procure lease on and/or is not maintaining existing office building	Agency insures building not in use; DHRM not aware of accurate employee location
E	DHRM/DFCM/Risk Management	N/A (Ideal location)	DFCM has an inaccurate office building inventory; Agency insures building not in use; DHRM not aware of accurate employee location
F	DFCM/Risk Management	DHRM not aware of employees’ location	DFCM has an inaccurate office building inventory; Agency insures building not in use
G	Risk Management only	DHRM not aware of employees’ location; DFCM did not procure lease on and/or is not maintaining existing office building	Agency insures building not in use

Source: OSA Analysis

If DFCM, Risk Management, and DHRM used the same inventory tracking system, all office buildings would fall into area E. However, only 54 of all office buildings reported fall into this category, though the state likely uses more than 250 buildings.² Inconsistencies found in the data may further undermine the public's confidence in the state's ability to track some of its most valuable assets. Therefore, we recommend that DFCM, Risk Management, and DHRM collaborate to accurately account for state buildings and employee locations.

State Entities Do not Appear to Properly Insure Leased Office Space

Many of the office buildings found in areas B and C of Figure 1.1 were no longer listed in Risk Management's inventory because, according to Risk Management, they are terminated leases. Further analysis showed that many of these buildings are still being leased and used by state agencies. When a building is leased by the state, rather than owned, Risk Management generally insures the contents of the buildings as well as accidental liability, but it does not insure the building itself.

A Driver License Division (DLD) leased office building in Logan demonstrates our concern. This building's asset identification number is identified only in DFCM's database. Though Risk Management's database includes a DLD office in Logan, this building has a different asset identification number and does not include an address, which makes it appear to be a different building.

The Department of Public Safety, which oversees DLD operations, also claims it currently uses the building identified in DFCM's database. Assuming Risk Management and DHRM are not aware of this building, it is not insured nor does DHRM know that state employees are located at this site. We are concerned that this building, which welcomes citizens each day, is not properly insured for accidental liability, nor are the building's contents insured. The state, however, would still likely bear compensatory obligations should a legitimate accidental claim be filed.

The lack of coordination between state entities that bear a responsibility to account for the accurate location of state buildings and employees presents unnecessary risks to the state. In order to reduce this liability to the state, we recommend that DFCM, Risk Management, and DHRM coordinate efforts to account for all office buildings. This effort should include regular updates as building needs change.

² Due to discrepancies in each of the buildings databases, we were not able to determine the exact number of office buildings used by state agencies. Recommendations of this finding suggest that DFCM, Risk Management, and DHRM should coordinate efforts to identify all owned and leased buildings.

Risk Management Should Pro-Rate Annual Insurance Premiums When Necessary

While it appears that the existence of some of the office buildings located in area G reflects an error/deficiency in DFCM and DHRM databases, there may be some buildings in Risk Management's records that are no longer in use, even though state entities continue to pay insurance premiums. Risk Management conducts an annual survey of agencies to update their building inventory records and insurance premium calculations. If Risk Management learns about a new building after September 1, the state entity does not pay the premium until July of the next year because Risk Management does not pro-rate the annual premium. Similarly, state entities must inform Risk Management about buildings no longer in use by the time of the annual survey in July to avoid paying the annual premium.

In order to more accurately insure buildings, we recommend that Risk Management prorate annual insurance premiums for buildings that begin operation after July 1.

DHRM Does Not Know the Physical Location of Some State Employees

Due to insufficient coordination with state agencies, DHRM does not accurately account for the physical location of employees. Though tracking office buildings is not necessarily a required DHRM duty, it may be necessary to locate individual employees, especially in an emergency situation. Additionally, employee counts would be necessary to conduct a thorough review of space utilization of state buildings. Without an accurate employee count in each building, it is unclear whether state entities are appropriately using allocated office space. Coordination with DFCM and Risk Management may enable DHRM to further comply with its statutorily-defined duty of "render[ing] assistance to state agencies in performing their missions."

Additionally, DHRM does not always identify an employee's physical location when an employee moves to a different office building, nor does DHRM remove office buildings no longer used in a timely manner. This causes confusion about where an employee is actually working and how many employees are present at any given location. As a result, DHRM's database is inaccurate and incomplete. Coordination with DFCM and Risk Management will help DHRM to identify the location of employees.

Recommendations

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

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Finding 2

A Multi-State Agency Office Building Would Reduce Leases by \$4.6 Million

Twelve leases for office space in Salt Lake County could potentially be consolidated into a state-owned building, reducing annual lease costs by almost \$5 million. While leasing office space may be beneficial for an agency whose needs may change over a short-term time horizon, the state may benefit from housing agencies with more stable needs in state-owned buildings. Figure 2.1 lists the 12 leases that could potentially be consolidated in a multi-agency state office building.

Figure 2.1 **The State Could Reduce State Agency Housing Costs by Consolidating 12 Leases.** Each of these leases will likely require an office space in Salt Lake City for the foreseeable future.

Agency	Building Function	City	Square Feet	Annual Lease*
Health	IT Development	Salt Lake City	25,000	\$203,000
DHS	Recovery Services	Salt Lake City	72,000	\$1,635,000
GOED	Administration	Salt Lake City	24,000	\$509,000
Insurance	Administration	Salt Lake City	5,000	\$102,000
Medical Education Council	Administration	Salt Lake City	2,000	\$50,000
SITLA	Administration	Salt Lake City	22,000	\$450,000
CCJJ	Crime Victims Reparations	Salt Lake City	9,000	\$121,000
Board of Education	DDS - Rehabilitation	Salt Lake City	27,000	\$708,000
Governor's Office	Gov Council - People with Disabilities	Salt Lake City	2,000	\$41,000
Health	Administration	Salt Lake City	14,000	\$82,000
Financial Institutions	Administration	Salt Lake City	11,000	\$185,000
DHS	DCFS	Murray	30,000	\$528,000
Total			243,000	\$4,614,000

*Annual lease amount for fiscal year 2013

Source: OSA Analysis

The state could reduce ongoing office lease costs by consolidating these 12 leases into a multi-agency state office building in Salt Lake County. All 12 agencies appear to have long-term housing needs in or around Salt Lake City.

In 2011, DFCM estimated that the construction of a multi-agency state office building would cost approximately \$224 per square foot,³ excluding the cost of the land. Assuming DFCM

³ The initial DFCM proposal only included the consolidation of nine leases, which would require 190,000 square feet. The addition of the Department of Health buildings and the Department of Human Services (DHS) building in this analysis increased the demand to approximately 250,000 square feet, or approximately the same size as multi-agency state office building that houses DHS and the Department of Environmental Quality administrative functions. The cost per square foot is an estimate based on this initial DFCM analysis.

could construct the building at a similar cost, the building would cost approximately \$56 million to construct. Figure 2.2 demonstrates the expected timeframe to recoup this cost.

Figure 2.2 The State Would Recoup Building Costs After 15 Years. The state would reduce lease payments by almost \$5 million per year.

Construction Cost	Annual O&M*	Lease Savings	Time to Recoup Investment
\$ 56,000,000	\$ 1,040,000	\$ 4,614,000	15.1 Years

**Assuming an O&M rate of \$4.16/square foot and 250,000 square feet.
Source: OSA Analysis*

Including operating and maintenance costs (O&M), the state would recoup its investment after approximately 15 years, assuming annual lease rates and O&M costs increased at the same rate as inflation. After this point, the state would see a reduction of the sum of all consolidated leases minus O&M costs in annual savings. Annual lease savings would therefore be estimated at \$3.6 million in 2014 dollars.⁴ While it would require present-day sacrifices, such a building would benefit the state long term.

Recommendation

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

⁴ Actual state cost savings may vary based on the federal contributions of the programs housed in the building.

Finding 3

Undervalued Buildings Increase State Liabilities and Reduce Capital Improvement Funding

At least 197 of all state-owned or state-leased buildings (six percent⁵) are underinsured by a total of almost \$200 million, potentially creating an unfunded liability to the state. Some state entities have chosen to insure buildings based on their historical value, without adjustments for the buildings' actual replacement costs. We recommend that the Legislature require state entities to insure their buildings based on their replacement costs, or receive an exemption from the Division of Risk Management (Risk Management).

Although Risk Management is responsible to ensure that insured entities do not accept unapproved risks, it also covers the costs of uninsured damages without repercussion to the state entity. In order to increase individual state entity accountability, we recommend that Risk Management charge state entities an appropriate coinsurance or other penalty on damages in excess of the insured value.

In addition to increasing the state's liability, undervaluing state buildings improperly alters the amount of capital improvement funding necessary to maintain buildings. The State Building Board would receive up to an additional \$2.2 million per year by valuing these 197 buildings at their actual replacement value.

State Buildings Are Underinsured by \$197 Million

State entities, including state agencies and the judicial branch, have underinsured six percent of state-owned and leased buildings in Risk Management's database by almost \$200 million due to the use of antiquated building values. State entities annually report their assessment of building values to Risk Management, which uses this assessment to calculate insurance premiums.

Risk Management policy allows state entities to choose to insure buildings at their "actual" value by using annual assessments done through a Risk Management consultant, or the "reported" value that the agency determines on its own. Though the "actual" value is generally more reliable in assessing the real building replacement cost, state entities chose to use the "reported" value for 1,074 state entity buildings (31.6 percent of all buildings in Risk Management's database) rather than their actual values in fiscal year 2013. Risk Management policy requires that "[t]he insured [agency] review, update, and submit a Statement of Values to the [Risk Management] Fund before July 1st."

⁵ Six percent is calculated based on 3,397 buildings reported by Risk Management. This figure includes all buildings and is not limited to only office buildings.

It is unclear why a state entity would choose to insure a building based on a “reported” value that is considerably less than its “actual” value, other than to reduce the entity’s insurance premium. Some state entities have used the same “reported” value for certain state buildings for more than 10 years, even though the buildings’ replacement values likely increased over the same time period. It appears that some buildings are significantly underinsured due to differences in their “reported” and “actual” values. Figure 3.1 shows examples of 10 buildings that are insured at a significantly lower value than their “actual” value.

Figure 3.1 **Ten State Buildings Appear to Be Significantly Underinsured.** These buildings are insured at their “reported” values, even though their “actual” values are considerably higher.

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

Source: OSA analysis of Risk Management data

Figure 3.1 demonstrates the differences between the insured and actual values of the ten buildings with the biggest differences between the two values. We are concerned that the state entities housed in these buildings are accepting additional risk by insuring these buildings at values considerably less than their actual replacement values. Due to the state’s obligation to compensate damages, however, the state and its taxpayers ultimately bear this risk.

Risk Management Should Ensure that State Entities Do not Assume Improper Risks

While individual state entities appear to assume the risk of an underinsured building, Risk Management is ultimately responsible to ensure that state entities do not assume undue risk. Risk Management has statutory responsibility to

“[I]mplement a risk management and loss prevention program for state agencies for the purpose of reducing risks, accidents, and losses to assist state officers and employees in fulfilling their responsibilities for risk control and safety.”

Further, statute restricts state agencies from self-funding risk “unless authorized by the risk manager.” State entities essentially assume self-funded risk when they insure a building at less than the building’s replacement value. However, no state entities have received approval from Risk Management to self-fund building risk, even though six percent of state buildings are insured at least 10 percent less than their “actual” value.

We are concerned that, when underinsured, damaged buildings could create an unfunded liability for the state, which would ultimately bear the burden of replacing necessary buildings and infrastructure. Therefore, we recommend that the Legislature require state entities to insure their buildings based on their replacement costs, or receive an exemption from Risk Management.

Risk Management Has Covered Uninsured Damages

Risk Management has paid the full amount of damages to several buildings over the past five years, even though the respective state entities underinsured each building. Figure 3.2 demonstrates four examples of recent claims in which the paid damages were greater than the buildings’ insured values.

Figure 3.2 Uninsured Damages Covered by Risk Management. Risk Management will typically pay for damages in excess of a building’s insured value.

Building	Paid Damages	Insured Value	Uninsured Damages Covered
Shop Garage	\$1,025,000	\$140,000	\$885,000
Shed	\$329,000	\$167,000	\$162,000
Office	\$190,000	\$85,000	\$105,000
Material Lab	\$81,000	\$0.00	\$81,000

Source: OSA analysis of Risk Management property loss data

Risk Management covered more than \$1.2 million in uninsured damages to these four state buildings, even though it is not necessarily obligated to provide coverage for damages that

exceed the insured value of a building. State *Administrative Rules* state that “[c]overed entities shall annually review, update, and submit a Statement of Values to the [Risk Management] Fund before July 1st.” The “statement of values” is the “reported” value that insured entities must submit to Risk Management at the beginning of each fiscal year. State *Administrative Rules* further clarify that “[i]f a covered entity fails to comply with this standard, the [Risk Management] Fund may deny coverage with respect to any loss associated with a non-reported asset.”

Similarly, Risk Management policy releases fund responsibility to cover damages that exceed the insured asset value. The policy states,

“No coverage applies to any property, other than property in transit, at any location owned, leased, rented or used by the insured on the effective date of this policy, unless such location is included in the Statement of Values, Endorsement A of this policy.”

Private insurance companies would not necessarily cover all damages in excess of the insured value of a building. Some insurance companies that would cover such damages would also enforce collection of a coinsurance or other penalty that must be paid by the insured entity. However, because the state self-insures buildings through Risk Management, the state ultimately pays for damages, regardless of insurance coverage. Therefore, rather than charging a coinsurance or other penalty to encourage accurate insurance coverage, Risk Management will typically pay the uninsured damages if the state entity increases the damaged building’s insured value to its “actual” value for future insurance premium calculations.

We are concerned that some state entities may rely on the Risk Management Fund to cover their obligations that the state entities choose not to fully insure. By underinsuring buildings, state entities are accepting an unfunded risk that may threaten the solvency of the Risk Management Fund or shift burdens to other insured entities if a catastrophic event were to occur.

Without individual state entity accountability, state entities are not held responsible for underinsuring buildings. Therefore, we recommend that Risk Management charge state entities an appropriate coinsurance or other penalty—as is typically done by private insurance carriers—on damages in excess of the insured value.

Undervaluing Buildings Could Lead to Underfunding Capital Improvements

In addition to creating an unfunded state liability, undervaluing state buildings alters the amount of capital improvement funding needed for maintenance. The *Administrative Services*

Code authorizes the State Building Board to receive an appropriation of up to 1.1 percent⁶ of the value of state buildings, as reported by Risk Management and based on legislative approval, to fund capital improvements. However, the State Building Board may not receive sufficient funding for necessary capital improvements if state entities undervalue buildings. Additionally, state entities that appropriately value their facilities at their “actual” values may bear the burden created by state entities that undervalue and underinsure their facilities.

Figure 3.3 shows the amount that the State Building Board appears to be underfunded, based on Risk Management’s insured values.

Figure 3.3 Undervalued Buildings Leads to Underfunding the Capital Improvement Fund. Capital improvement funding is based on the value of buildings, as reported to DFCM by Risk Management.

Amount Undervalued	Capital Improvement Funding*	Total Underfunded
\$197,000,000	1.1%	\$2,167,000

**Based on the Utah Code 63A
Source: OSA analysis*

Other State Buildings Appear to Be Significantly Undervalued and Underinsured. Analysis of an initial review done by DFCM shows that some buildings’ current replacement value (CRV) is the same as the estimated square footage of the building, suggesting that its replacement value was not known at the time of submission. For example, Risk Management reports that a central plant for the Department of Corrections has a CRV of \$7,688 and the square footage is listed at 7,688. However, an independent assessment conducted by a DFCM contractor for the same building lists the plant’s CRV at \$20.4 million, suggesting that the value that the Legislature uses to calculate capital improvement may be significantly understated, in addition to the plant being underinsured. This independent assessment was conducted by a DFCM contractor that focuses on the longevity of equipment, lifespan of buildings, and capital improvements.

According to this initial review from DFCM, an additional 435 state agency buildings also report the CRV as the same as the buildings’ square footage. While most of these buildings are non-office buildings, such as plants, restrooms, storage facilities, etc., we are concerned that these buildings may not be valued at a reliable estimate.

Though it is outside the scope of this audit, it also appears that higher education may have similar concerns of undervaluing buildings. For example, a Southern Utah University heat plant that is 9,866 square feet has a CRV of \$9,866. However, the plant’s independent assessment by DFCM’s contractor lists the plant’s CRV at \$26.6 million. Undervalued higher education buildings pose similar concerns of being underinsured and underfunding improvement funds.

⁶ The Legislature appropriated 0.9 percent of the value of state buildings for fiscal years 2013 and 2014.

Without adequate maintenance funding, buildings may not retain their value for the duration of their expected lives. We are concerned that, as a whole, state buildings are not receiving the full amount of necessary capital improvement funding due to inaccurate valuations. Therefore, we recommend that Risk Management provide the Legislature and the State Building Board with an accurate valuation of the CRV of state buildings in order to adequately fund necessary capital improvements.

Recommendations

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

Finding 4

The Use of Vacant Land Could Benefit State and Local Entities

The Division of Facilities Construction and Management (DFCM) owns parcels of vacant land throughout the state that could be used to benefit state agency operations and functions. Additionally, if privately owned, property taxes generated from the developed land could benefit state and local governments.

Development of up to 287 acres of vacant land near the Utah State Developmental Center (USDC) could provide funding for dilapidated USDC buildings and infrastructure, improving the overall quality of care for more than 200 individuals. Proceeds from the use of this land are statutorily obligated to be used by the Division of Services for People with Disabilities (DSPD).

DFCM owns 10 acres of land in Salt Lake City that could be sold or developed to benefit the state. This land, known as the “white ball field,” sits directly south of the State Fairpark and a newly-completed Trax stop between Downtown Salt Lake City and the Salt Lake City International Airport. While the state is statutorily obligated to lease this land to the State Fair Corporation until 2017, we recommend that DFCM begin proposing options for how the sale or development of this land could best benefit the state and its taxpayers. The State Fair Corporation currently uses this land for parking for the annual 11-day State Fair.

DFCM owns two other lots in northern Utah that will not likely be used by the state in the near future. It appears that DFCM may own additional lots that are currently unknown. Therefore, we recommend that DFCM identify all owned vacant land and create a plan for its present or future use.

Proceeds from Undeveloped Land in Utah County Would Benefit the USDC

Developing vacant land that is owned by the USDC could limit risks and maintenance costs associated with dilapidated USDC buildings and infrastructure and improve programs for persons with disabilities. The USDC “is dedicated to providing an array of resources and supports for people with disabilities with complex or acute needs in Utah.” Individuals reside on the campus from several weeks to decades.

The USDC has acquired approximately 374 acres from private land owners since 1930, with the intent that the land would be used to benefit persons in need of USDC services. The number of USDC residents peaked at 975 in 1983. However, the demand for USDC-type services has steadily decreased over the last 30 years. In October 2013, the USDC provided services to 203 individuals.

The USDC Owns 287 Acres of Undeveloped Land in American Fork. Due to the growing needs facing its current infrastructure, the USDC may benefit from developing up to 287 acres of its undeveloped land to the north of the campus. Though the USDC owns approximately 374 acres, the actual campus occupies only approximately 87 acres. In addition to the buildings, the current 87-acre campus includes walking trails, green space, and recreational facilities. These amenities would not be affected by developing up to 287 acres of vacant land located north of the campus. Figure 4.1 shows this undeveloped land to the north of the campus.

Figure 4.1 **The USDC Owns Approximately 287 Acres of Undeveloped Land.** The vacant land is bordered by a golf course, a high school, and a residential development north of the USDC campus.



Source: OSA

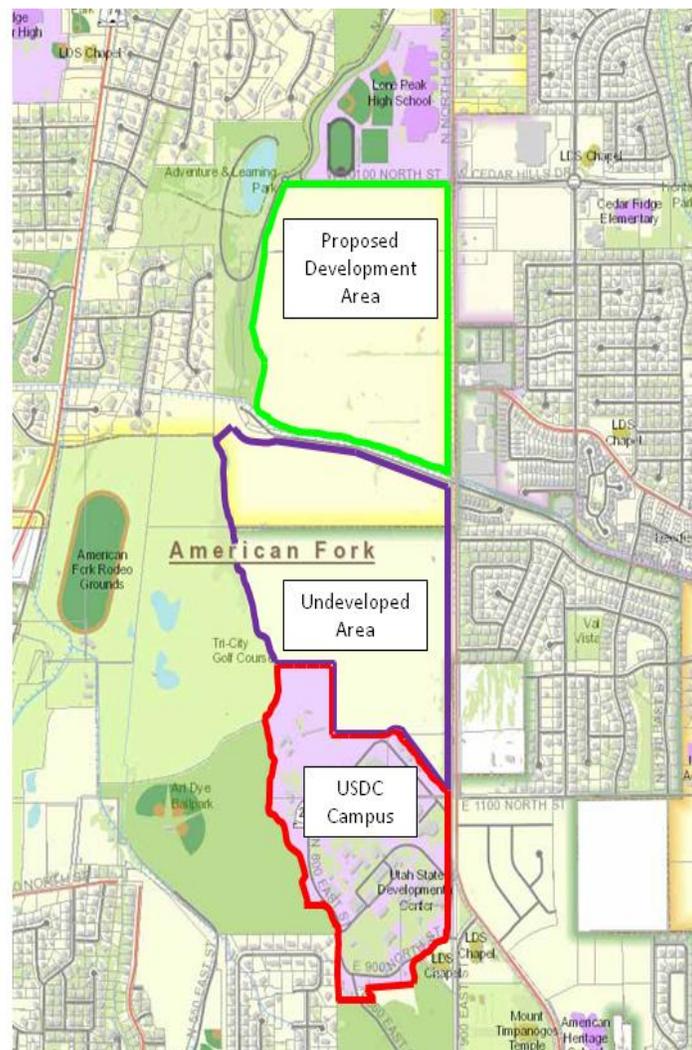
The vacant land is bordered by Lone Peak High School on the north, the Fox Hollow Golf Course on the west, single family houses on the east, and the Mount Timpanogos Latter-Day Saint Temple on the south. The surrounding developments and infrastructure could potentially increase the overall value of the vacant land to the north of the USDC campus. Proceeds of the land development could improve the USDC and help it to better accomplish its mission while minimizing state liability.

The USDC, in coordination with community partners, commissioned a master plan for half of the vacant land north of the USDC campus. Development proposed in this master plan includes “a mixed-use community... that maximizes the potential for leaseable property with the intent of keeping as much land as possible.” While this plan would require an initial outlay of funds, the master plan projects positive cash flow from apartments, retail development, and office development. This plan includes the following:

- 255 single-family residential lots including 28 senior single-family lots
- 630 apartments
- 50 townhomes
- 200 senior apartments
- 134,000 square feet of retail
- 40,200 square feet of office

Figure 4.2 shows the proposed land that would be developed according to USDC’s master development plan.

Figure 4.2 **Proposed USDC Development.** The proposed area to be developed includes 143 acres to the north of the USDC campus. This plan includes approximately 144 acres of undeveloped land between the USDC campus and new development.



Source: USDC Properties Master Plan (June 2013)

The proposed plan for the use of 143 acres currently owned by USDC would develop approximately half of the vacant land. USDC may choose to develop the remaining 144 acres at a future date.

Statute Requires Approval from the Governor and the Legislature Prior to Selling or Issuing a Long-Term Lease for USDC Land or Water Rights. Statute further limits the use of proceeds from the use of any USDC land, which would be deposited into the “Utah State Developmental Center Land Fund.” *Utah Code* 63A-5-220(3) stipulates that proceeds can be expended only if “approved by the director of the Division of Services for People with Disabilities (DSPD)... in consultation with the executive director of the department.” Additionally, statute states,

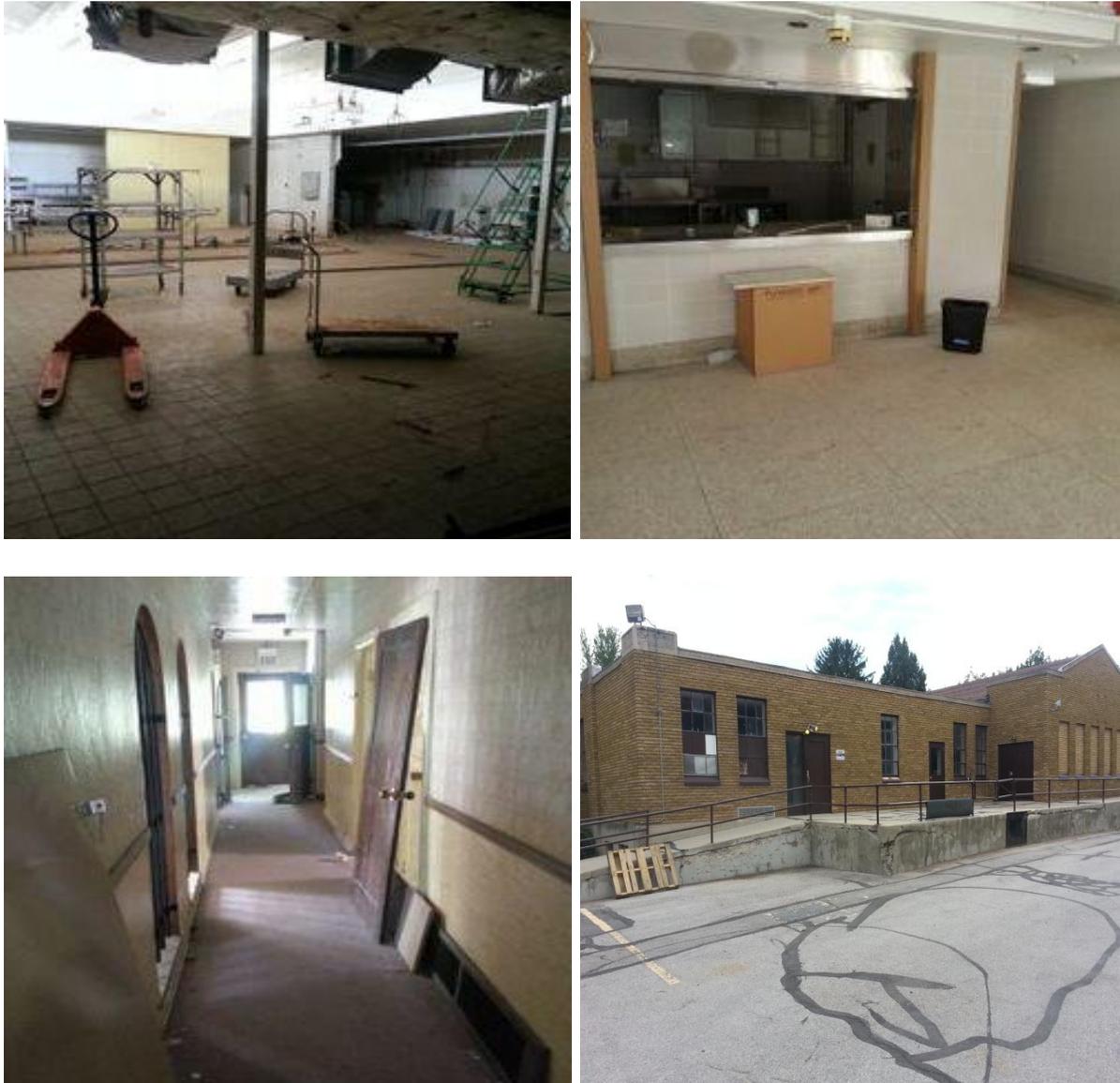
“[T]he Division of Services for People with Disabilities may spend interest earned or invested from the Utah State Developmental Center Land Fund for the benefit of the Utah State Developmental Center and programs . . .”

In June 2013, the USDC received a report that proposes potential use of half of the vacant land and estimates the proceeds that DSPD could receive from such an undertaking. The study, which includes a mixed-use master plan for 143 acres, estimates that the development would produce potential profit of approximately \$72 million. Though this land may have been used sparingly by the USDC work programs for individuals residing on campus in its early days, such programs no longer exist. The USDC has recently leased the land for outside farming operations; however, such arrangements have not yielded a high benefit to the USDC.

The revenue generated from this development could significantly improve existing infrastructure and provide greater services for individuals who receive benefits from the USDC. Prior to approval, however, we recommend that the DSPD prepare and present a plan to the governor and the Legislature for how the estimated proceeds would be used. Some of the recommended uses of the proceeds may be similar to needs cited in a long-range campus plan completed in 2011. Other pressing needs—such as potentially replacing faulty infrastructure—were not included in the 2011 long range plan, suggesting a need to update a prioritized list of uses of the proceeds.

Ten Percent of USDC Buildings are Unused and Uninhabitable. Some of the current buildings used by the USDC have been in use since the 1930s and are in significant disrepair. Five of the 53 buildings on the campus are no longer used due to being in such poor condition, while many of the buildings used by the USDC are antiquated and decrepit. Figure 4.3 shows examples of some of the USDC buildings.

Figure 4.3 **Some USDC Buildings Are Over 80 Years Old.** Some of the older buildings are vacant while others are unable to be occupied.



Source: OSA

Some of these buildings pose safety risks to the residents, employees, volunteers, and visitors, and increase ongoing costs due to their inefficiency. Though the buildings with the most serious concerns are closed or used for storage, many of the buildings that are used everyday have serious concerns that need to be addressed. Leaky roofs, inefficient heating ventilation and air-conditioning systems, uneven floor surfaces, and sealed asbestos are some of the concerns with the existing buildings. Faulty infrastructure presents additional challenges.

Leaky 80-Year Old Hot-Water Pipes Create Injury Risks for the USDC. In addition to antiquated buildings, the USDC has obvious concerns with its hot-water pipes that provide heating for

campus buildings. Some of the pipes have cracks that vent steam out of the ground at various places throughout the campus, creating a safety risk for individuals on the campus. Figure 4.4 shows the examples of some of the effects of the cracked hot-water pipes.

Figure 4.4 **The USDC's Antiquated Hot-Water Pipes Create Safety Risks.** Steam seeps out of the ground in various places throughout the USDC campus.



Source: OSA

Water loss was exacerbated shortly after the installation of three new boilers in 2010. The increased pressure, combined with reheating pipes that had cooled during the installation, cracked the 80-year old pipes and increased the urgency of current-day concerns. Steam vents, which can be seen at various places throughout the campus, pose a potential safety risk in addition to demonstrating weaknesses in the USDC's piping system.

If left uncorrected, a faulty piping system at the USDC could potentially cause significant injuries to individuals who reside at the center, USDC employees, contractors, volunteers, or visitors. USDC administrators claim that they must repair the entire piping system in order to completely fix the problem. A recent accident caused by leaks in hot-water pipes at the University of Utah injured seven people with 400-degree steam. Though the circumstances may differ, this accident demonstrates the severity of harm that a broken hot-water pipe could cause. DFCM recently estimated that the cost to replace the water lines would exceed \$25 million, though it appears that the pipes could potentially be replaced for half of that amount.

Due to the high cost of replacing the piping system—in addition to the dilapidated conditions of some of the buildings on the USDC campus and declined number of individuals receiving services—DSPD should consider whether the current campus building arrangement best fulfills USDC needs. DSPD should ensure that the new piping system would fulfill long-term needs in addition to correcting short-term concerns. For example, the USDC may be able to build new

group homes, similar to the recently-built twin homes, for all individuals residing on the campus for half the cost of a new hot-water piping system⁷. Therefore, we recommend that DSPD consider long-term plans and needs prior to repairing its faulty hot water piping system.

In Addition to the Potential Liability, the Leaky Pipes Lose Approximately 6.1 Million Gallons of Water per Year. This lost water could provide enough water for 32 households for an entire year. American Fork, the city where the USDC is located, is bound by an 80-year old agreement to provide water to the USDC free of charge. Figure 4.5 compares the water lost by the USDC’s leaky pipes with other common water uses.

Figure 4.5 Water Leaked at the USDC Could Provide Water for 32 Households for One Year. Leaky water pipes lose more than six million gallons per year.

Water Use	Average Gallons/Use	Frequency of Use/Annual USDC Wasted Water
Cups of Water	0.06	98,112,000
Toilet Flushes*	1.6	3,832,500
Dishwasher Cycles**	5.8	1,057,241
Washing Machine Cycles**	15.0	408,800
10-Minute Showers†	25.0	245,280
Utah Households/Year††	192,350.0	32

*U.S. Energy Conservation Standards

**Energy Star

†U.S. Geological Survey

†† Utah Division of Water Resources

Source: OSA Analysis Based on Common Use

Figure 4.5 shows the potential uses of the water that is lost each year due to the leaky pipes on the USDC campus. Repairing the leaky pipes on the USDC campus would help the state to reach its goal of reducing water consumption by 25 percent by 2025, as mentioned in the governor’s 2013 State of the State address.

Sale or Development of 10 Acres in Salt Lake City Would Benefit the State

DFCM currently owns 10 acres of vacant land—known as the “white ball field”—on the west side of Salt Lake City that could be used or developed to benefit the state. The state currently leases this land to the State Fairpark, which uses the land as a parking lot for the 11-day annual state fair, for a fraction of the land’s actual value. Figure 4.6 shows the land from its south boundary looking north toward the Fairpark.

⁷ DSPD paid approximately \$2 million for four twin homes in 2009. Assuming it could build twin homes at a similar cost, DSPD could build an additional 20 twin homes for approximately \$10 million. These twin homes may not rely on central heating that is provided through hot-water pipes. While this audit did not necessarily address long-term USDC housing needs, it is in the best interest of the state and its taxpayers to consider such needs prior to replacing an expensive hot-water system that may not be needed with future development.

Figure 4.6 **White Ball Field.** This 10-acre state-owned lot, which is located next to a new UTA Trax station, sits vacant for most of the year.

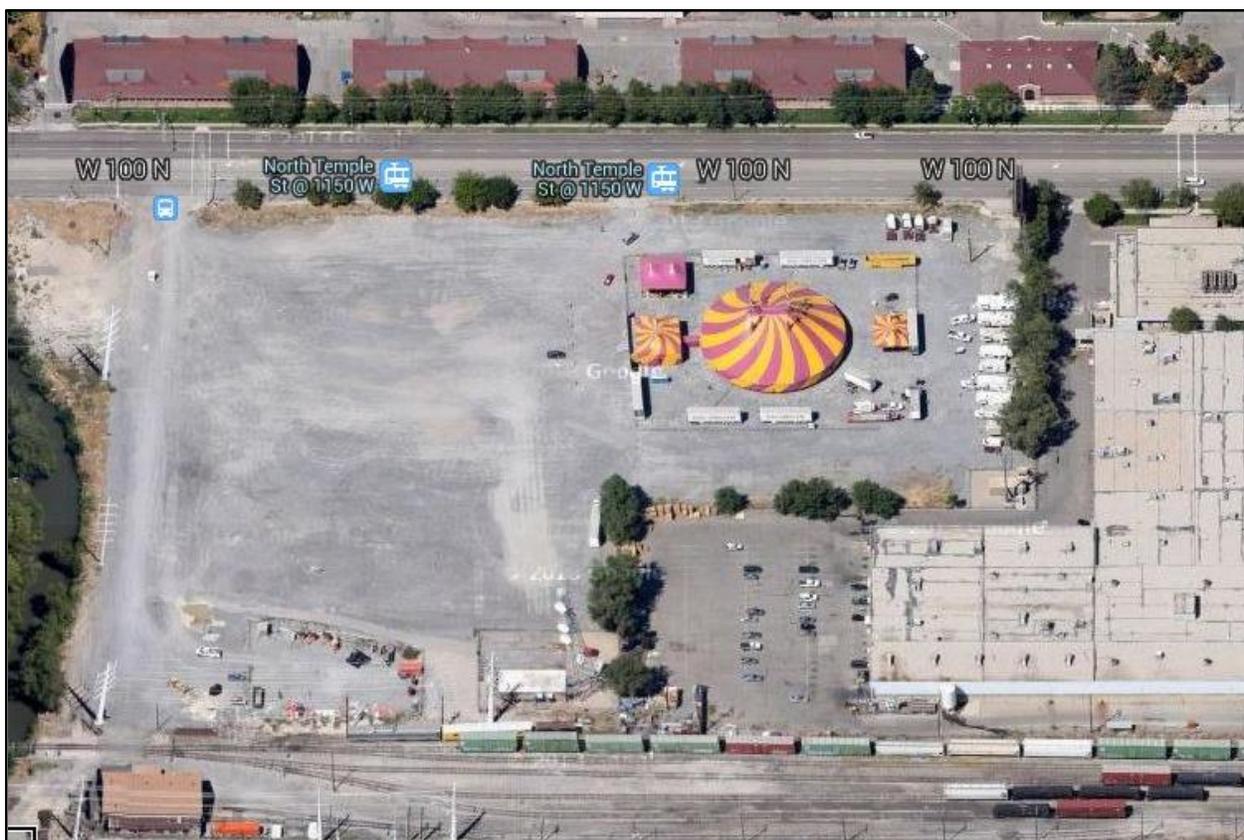


Source: OSA

This land, which has convenient access to public transportation, is unused most of the year. In addition to providing parking for the State Fairpark, the vacant lot occasionally serves as a staging area for conventions, as shown in Figure 4.7. The lot sits vacant, however, more than 90 percent of the year.

Figure 4.7

White Ball Field: Aerial View. This lot can occasionally serve as a staging area for events coming from out of the state.



Source: Imagery ©2013 Google, Map data ©2013 Google

Due to its proximity to the State Fairpark and a new Utah Transit Authority (UTA) Trax station, the potential development of the white ball field is in high demand. However, the state is statutorily committed to lease the lot to the State Fairpark until 2017. The *Administrative Services Code* states,

“Except that on June 30, 2017, that portion of the state fair park known as the White Ball Field located on the south side of North Temple Street shall revert to [DFCM] and not be a part of any continuing lease agreement between [DFCM] and the [Utah State Fair] corporation, unless otherwise agreed upon by [DFCM] and the [Utah State Fair] corporation prior to June 30, 2017.”

DFCM and the Utah State Fair Corporation do not have any further agreements for the use of the land after fiscal year 2017. We recommend that DFCM develop a master plan for the use of this vacant land to best fulfill the needs of the state once the agreement with the State Fair Corporation has terminated.

Use of Vacant Land in Northern Utah May Benefit the State

DFCM also owns other parcels of land in Brigham City and Ogden that could potentially be used to benefit the state. The undeveloped land in Brigham City was included in the purchase of existing buildings that were converted into state offices, while the mountainside land in Ogden was discovered during the course of this audit.

The State Will Not Likely Need Vacant Land in Brigham City. This 11.5 acre parcel of vacant land lies to the southwest of the Brigham City Regional Center—a converted strip mall that houses a Utah State University (USU) extension campus, a driver license office, a vocational rehabilitation office, and an applied technology college. DFCM is retaining this land for future expansion of the regional center; however, it appears that a large portion of the existing space may become available in coming years when the USU extension campus moves into new buildings across the street. The USU extension campus currently occupies a large portion of the existing office space. Figures 4.8 and 4.9 show the existing building and land.

Figure 4.8 **Brigham City Regional Center.** DFCM owns 11.5 acres of undeveloped land southwest of the converted strip mall.



Source: OSA

Figure 4.9 Brigham City Regional Center and Land: Aerial View

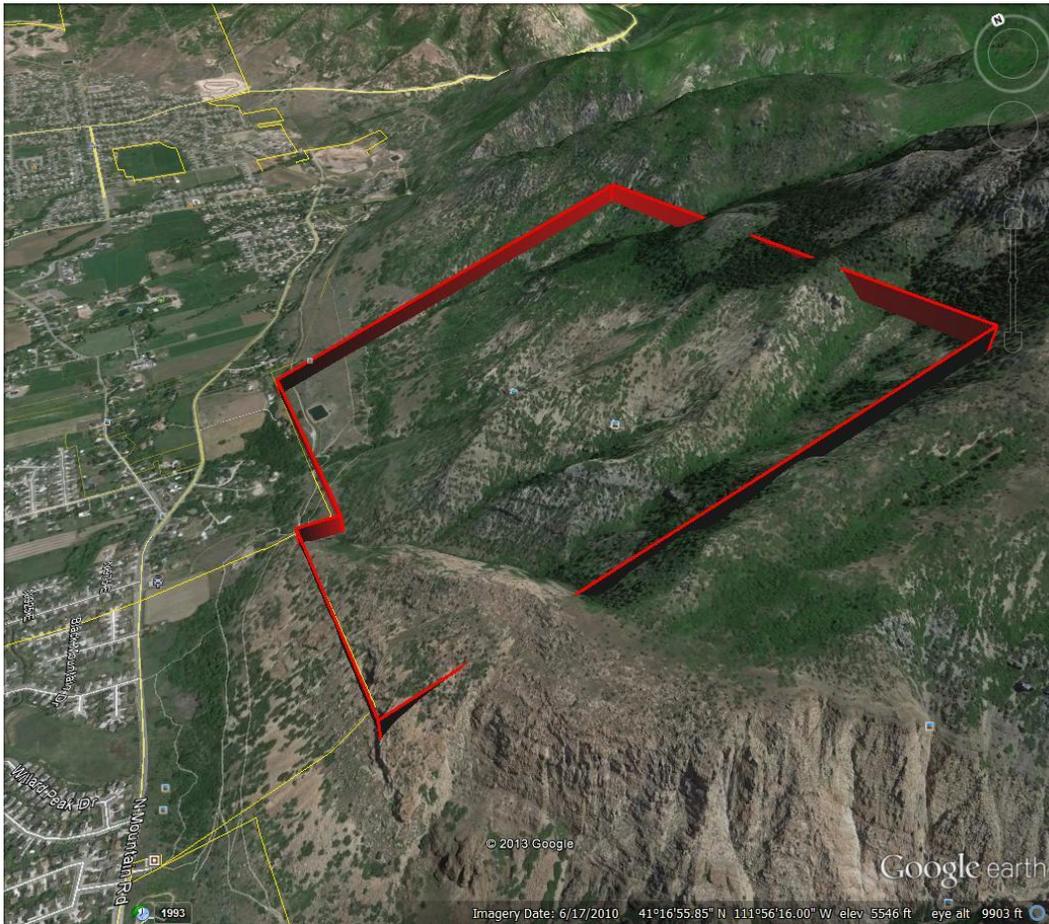


Source: Imagery ©2013 DigitalGlobe, State of Utah, USDA Farm Service Agency, Map data ©2013 Google

In addition to ample office space, the state-owned facility shown in Figures 4.8 and 4.9 has sufficient parking space to accommodate employees and patrons. Therefore, there does not appear to be a need to retain the vacant land for future use. Therefore, we recommend that DFCM prepare a plan for the use or sale of the 11.5 acres owned in Brigham City.

Mountainside Land in Ogden May Not Be Developable. During the course of this audit, DFCM also discovered that it owns five parcels of land on the mountainside east of Ogden. It is unclear how or when DFCM acquired this land and how the land could potentially be used, though it appears that most of the land is undevelopable with steep mountain grades, as shown in Figure 4.10.

Figure 4.10 DFCM Owns Mountainside Property East of Ogden. DFCM was not previously aware that it owned this property.



Source: Google Earth

Due to the potential value of parts of this land, we recommend that DFCM assess the value and potential uses of these parcels. We also recommend that DFCM review the land records from each county in order to identify any other land it owns and determine the highest and best way to maximize the land's value to the state.

Recommendations

1. We recommend that the Division of Services for People with Disabilities prepare and present a plan to the governor and Legislature for how the estimated proceeds from the development of land owned by the Utah State Developmental Center would be used prior to finalizing development plans.
2. We recommend that the Division of Services for People with Disabilities use revenue generated from land development to improve buildings and infrastructure on the Utah State Developmental Center campus.
3. We recommend that the Division of Services for People with Disabilities consider long-term building needs when prioritizing uses of proceeds generated from developing vacant land.
4. We recommend that the Division of Facilities Construction and Management create a master plan for the use of the “white ball field” to best fulfill the needs of the state and its taxpayers.
5. We recommend that Division of Facilities Construction and Management prepare a plan for the use or sale of the 11.5 acres owned in Brigham City.
6. We recommend that Division of Facilities Construction and Management assess the value and potential uses of parcels of land it owns on the mountainside east of Ogden.
7. We recommend that Division of Facilities Construction and Management review the land records from each county in order to identify state-owned land and determine the best way to maximize the land’s value to the state and its taxpayers.
8. We recommend that the Division of Facilities Construction and Management establish and maintain an accurate inventory of state-owned land.

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Finding 5 **Unmonitored Building Access Threatens Capitol Security**

Access to office space in the Capitol Complex⁸ is not always controlled and monitored, jeopardizing the security of sensitive data retained by state entities housed in the buildings. More than 89 percent of employees who have access to offices for two state entities⁹ housed in the Capitol Complex are non-entity employees and were not approved to have access by the individual office directors. Most of these non-entity personnel, including some non-state employees, have unrestricted access to office space.

Electronic access cards are not always deactivated immediately upon termination or job reassignment. Additionally, it does not appear that lost access cards are deactivated when a new access card is issued. Regular updates and reviews, in addition to greater scrutiny of necessary access, could minimize the risk of unauthorized access to offices in the Capitol Complex.

The Department of Public Safety Oversees Capitol Security

The *Utah Public Safety Code* requires that the commissioner of the Department of Public Safety (DPS),

“[I]n cooperation with the director of the Division of Facilities Construction and Management (DFCM) shall provide for the security of all grounds and buildings under the jurisdiction of the Division of Facilities Construction and Management.”

The Utah Highway Patrol (UHP), which is part of DPS, employs 18 state troopers, four sergeants, four full-time civilian staff, and eight part-time civilian staff on the Capitol Complex. As part of their security functions, the UHP’s Dignitary Protection Bureau controls access to most¹⁰ areas of the complex. Non-public areas of the complex are secured by magnetic doors and can be opened with an electronic access card. Controlling and minimizing access are the strongest controls to protect a given area against unauthorized entrance.

⁸ For purposes of this report, the “Capitol Complex” refers to the State Capitol Building, the East Building, the West Building, the State Office Building, and the accompanying grounds.

⁹ Due to the sensitive nature of identifying access to these entities’ office space, specific agency information is withheld. Additional information has been categorized to protect the entities reviewed in-depth.

¹⁰ The Department of Technology Services issues its own access cards for its office space.

Most People with Access to Entity Doors Are not Entity Employees

Approximately 89 percent of all electronic cards with access to doors for the two state entities housed in the Capitol Complex reviewed in-depth are *not* issued to entity employees. Figure 5.1 summarizes groups who have access to one of these entities’ office space.

Figure 5.1 Almost 90 Percent of Access Cards for One Capitol Complex Office Are Issued to Non-Entity Personnel. The UHP does not ask for permission prior to granting access to non-entity personnel.

Group	Cards with Access	Type of Access
Dignitary Protection (UHP)	77	24/7
Technology Services	60	24/7
DFCM	49*	24/7
Entity	45	24/7
Sister Agencies	51	24/7
Janitorial	27	24/7
Unspecified Group**	24	24/7
Executive Protection	19	24/7
Maintenance	17	24/7
Special Emergency Response Team (UHP)	15	24/7
Capitol Preservation Board	13	24/7
Public Safety (UHP)	6	24/7
Attorney General’s Office	2	24/7
Legislators	2	24/7
Governor’s Office	1	M-F 5:00 AM – 7:00 PM
Vendor	1	M-F 5:00 AM – 7:00 PM
Unknown	1	24/7
Total	410	24/7

*Includes eight cards given to contract employees at DFCM’s discretion.

**This group, which has access to most doors on the Capitol Complex, consists of employees from several state entities, some of whom do not reside in the Capitol Complex. It is unclear who originally authorized this group, but it appears to have been created prior to the UHP assuming control of access.

Source: Utah Highway Patrol

Non-entity staff represent almost 90 percent of the persons with access to this entity’s office space. Among the non-entity persons whose cards can access this entity’s office space are employees from sister agencies, elected officials, terminated employees, and non-state employees.

It appears that, in this case, specific groups were given access to the entity’s office space prior to consulting with the entity. It is unlikely that staff from many of these groups would have been approved by the entity to have access to its office space. We recommend that the UHP obtain approval from an entity prior to granting a group or individual access to the entity’s

office space. Additionally, we recommend all agencies in the Capitol Complex review and update who has access to their work space on a regular basis.

Non-Entity Employees Have Access to Entity Work Space at all Hours

Access cards for all but two of the persons who have access to the entity represented in Figure 5.1 have access to open the doors at any hour and on any day. By default, most cards are given “24/7” access to the doors for which they are authorized. However, it does not appear that many of the non-entity staff would need access during non-business hours. Access to non-entity personnel during non-business hours may increase the risk of unauthorized access to sensitive information.

For example, DFCM has eight electronic access cards for contract employees. DFCM assigns these access cards to contractors; however, UHP does not necessarily know who these contractors are and to what doors they should have access. These eight non-state employees have access to most doors on the Capitol Complex at any time during the day or night, regardless of the scope of their project. In order to increase individual contractor accountability, we recommend that DFCM request individual electronic access cards from the UHP for contract employees rather than issuing generic, non-personalized access cards.

While it may be necessary for select individuals to have access to an agency’s space in case of an emergency, it is unclear why certain groups would need unrestricted access to space on the Capitol Complex during non-business hours. Therefore, we recommend that entities housed in the Capitol Complex review the need to grant non-entity persons, including contract employees, 24/7 access to their office space.

Access Cards Are not Always Promptly Deactivated

The cards for several terminated employees still have access to many doors on the Capitol Complex. Some of these employees left employment several years ago, while at least two of the 51 people from the two sister agencies in Figure 5.1 are deceased. Continued active card access for a terminated employee could create additional risks because the former employees may be disgruntled and may also know where to find key information stored in their former offices.

In order to reduce this risk, we recommend that all agencies housed in the Capitol Complex report the termination of all electronic access cards to the UHP on the day of terminated employment. Access badges should then be deactivated and recycled or appropriately destroyed.

Lost Access Cards Are not Always Deactivated

Thirty-seven of the access cards for non-entity employees who have access to the Capitol Complex entity shown in Figure 5.1 have more than one access card. A person typically has more than one access card if they required a replacement card, which may signify that the employee lost their original access card. These potentially lost cards—which generally identify the name of the office where the employee works and, thus, the doors the card could access—could be used by an opportunistic person to access agency space during non-business hours.

UHP does not necessarily deactivate a person’s access card if a new card is issued. We are concerned that 37 potentially lost access cards could access doors on the Capitol Complex and are still active. We recommend that UHP allow only one active access card per Capitol Complex employee or approve written justification for multiple active access cards. Original access cards should be deactivated whenever a new access card is issued.

Recommendations

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

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Department of Administrative Services Response

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State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

Department of Administrative Services

KIMBERLY K. HOOD
Executive Director

RICHARD P. AMON
Deputy Executive Director

January 29, 2014

David S. Pulsipher, CIA, CFE
Office of the Utah State Auditor
E310 Utah State Capitol Complex
Salt Lake City, UT 84114

Re: Performance Audit No. 14-01: A Performance Audit of State Buildings and Land

Dear Mr. Pulsipher:

Thank you for this opportunity to respond to Performance Audit No. 14-01: A Performance Audit of State Buildings and Land. State Buildings are an important asset of the State of Utah. The Department of Administrative Services is committed to helping the State best operate those assets in the most life-cycle cost-effective manner possible.

Below are our responses to your findings and recommendations.

Finding 1, Recommendation 1: *We recommend that the Division of Facilities and Construction Management establish and maintain an accurate inventory of state-owned and state-leased buildings.*

Agency Response: The Department of Administrative Services is committed to providing, preserving, and protecting accurate data. The Division of Facilities, Construction and Management (DFCM) maintains a database (AiM) to track and manage the state building inventory as it relates to construction, maintenance, and leasing. This program currently contains over 3,600 owned and leased buildings.

Recognizing that these assets are dispersed throughout Utah and used by every state agency, the DFCM has partnered with the State Building Board to better track and inventory these assets. Working together the State Building Board and DFCM contract with a professional firm to assess the condition of State facilities. While the primary function of these condition assessments is to identify capital improvement needs, the secondary benefit allows DFCM to use the information to verify and update its inventory in the AiM database. Budget reductions several years ago stopped this program; however, last year, despite continued budget

challenges, the Building Board and DFCM allocated funds to start this program anew. Current funding allows us to assess approximately 20 percent of the State's building inventory each year.

The State Building Board and DFCM also partner to fund a maintenance auditor whose sole function is to visit state buildings and assess the condition of facility maintenance programs. The secondary benefit of this position, in recent years, is to also verify information in the AiM database. The current auditor was able to survey about 260 buildings last year. Recognizing the importance of properly maintaining buildings, the DFCM and the State Building Board requested an additional audit position of the Governor and Legislature for the 2014 Legislative Session. A second position will also improve the accuracy of the AiM building inventory.

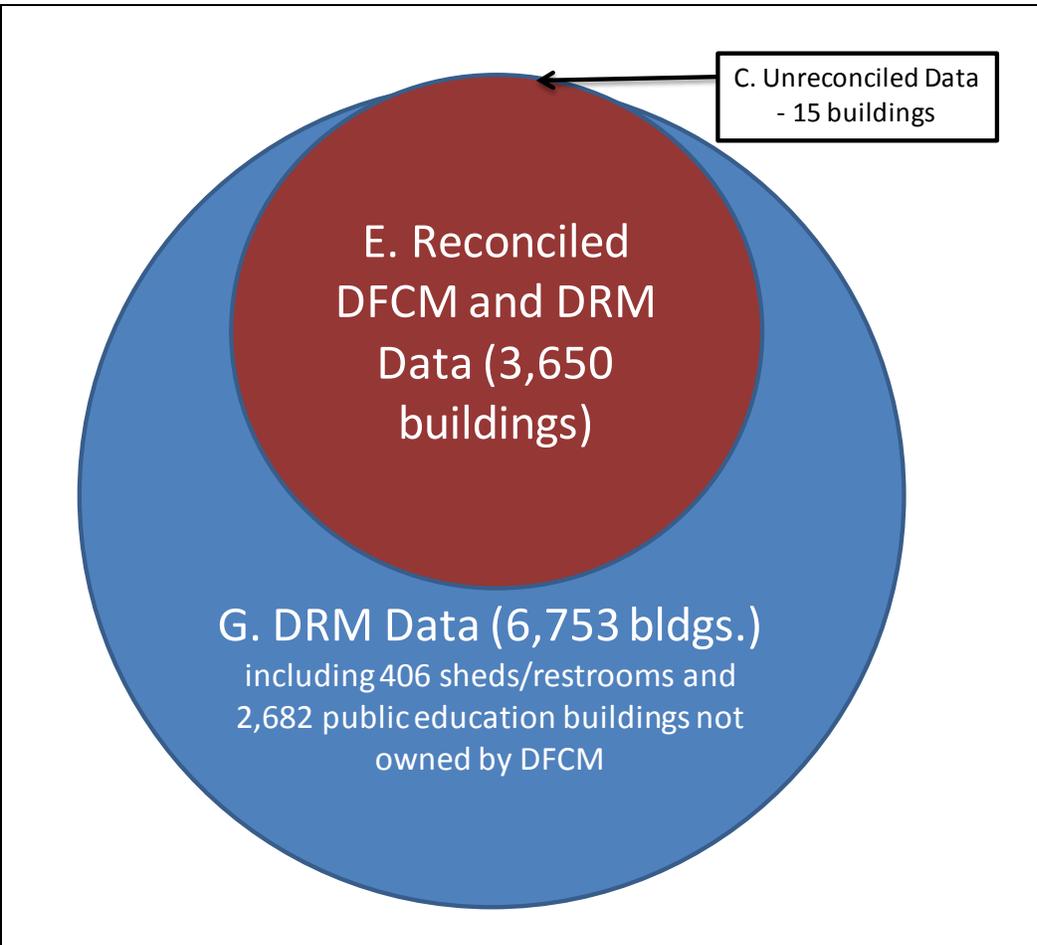
In addition, the DFCM has been collaborating with the Division of Risk Management over the past year to better coordinate information and reduce duplications. A full explanation of this effort is described below in the response to Recommendation 2.

Finding 1, Recommendation 2: *We recommend that the Division of Facilities and Construction Management coordinate with the Division of Risk Management and the Department of Human Resource Management to ensure that they account for all owned and leased office buildings that they oversee.*

Agency Response: The Department of Administrative Services is committed to providing, preserving, and protecting accurate data. As mentioned above, the DFCM AiM database contains over 3,600 owned and leased buildings. The Division of Risk Management (DRM) maintains a risk management system that includes a facilities component. This system contains over 6,700 buildings including public education school buildings, storage sheds, and leased properties insured for contents that would not be in the DFCM database. These systems and databases are used for different purposes.

In the past, DFCM and DRM have not coordinated in every change relative to their perspective systems; which, over time, led to some differences in data. Recognizing these minor discrepancies could be ameliorated by communication, coordination, and a shared-process; DFCM and DRM began discussions of how to better improve the data beginning last January of 2013. These discussions led to action in the spring of 2013 to actively merge and consolidate information between both systems.

Since April of 2013 DRM and DFCM have methodically sorted through, combined, and filtered their respective databases pertaining to facility assets. They have verified and consolidated data for over 9,000 facilities. There are only 15 buildings left to verify between the two databases. Based on the work DFCM and DRM have undertaken for the past nine months the inventory of buildings shared between the two is depicted below:



In order to ensure data integrity DFCM and DRM have not yet combined their data sets. We anticipate merging the two databases within the coming months. Due to the sensitive nature of the data, both DFCM and DRM want to ensure that changes in unique identifiers do not create unintended consequences in either of their databases.

Even though the DRM and DFCM databases contained some different information in the past, it did not impede either Division from accomplishing its mission. A difference in name or address has not impeded the DFCM from maintaining a building or entering into a lease to the correct agency for the correct amounts. Likewise, a data difference in ID number or building type has not impeded Risk from adequately insuring the building. The example on page 15 of the audit highlights this important point.

The Driver License Division building in Logan, mentioned on page 15 of the audit, is a leased facility insured by DRM that previously had a different identification number between the DFCM and the DRM databases. The audit states: “Assuming Risk Management and DHRM are not aware of this building, it is not insured nor does DHRM know that state employees are located at this site. We are concerned that this building, which welcomes citizens each day, is not properly insured for accidental liability, nor are the building’s contents insured.” Risk Management is aware of this building and it is currently and has previously been insured for contents and liability (which is a separate coverage from property insurance). Every year DRM

verifies the asset data contained in its systems with the agencies actually using or owning the buildings including DFCM. DRM does not insure buildings that agencies do not verify as part of their inventory.

Recognizing the need for improved data maintenance as well as analytics, the Division of Risk Management requested an additional FTE through the 2014 budget process. This position will focus on data integrity as well as analyze risk information in order to reduce liability and protect assets. Likewise, DFCM is currently working within existing resources to reorganize its information technology staffing to focus more on business analytics to help manage the building inventory system. Both DFCM and DRM will coordinate information on a regular basis.

Having a consistent database between DRM and DFCM will strengthen the ability of DFCM to control and allocate space in state agencies. A consistent database will also allow Risk Management to verify information received by state agencies. It will not take the place of annual surveys of state agencies asking for an inventory of insured property, but will act as an effective double-check.

Finding 1, Recommendation 3: *We recommend that Risk Management pro-rate annual insurance premiums for buildings who begin operation after July 1.*

Agency Response: The Division Risk Management will consider pro-rating annual insurance premiums. Unlike a for-profit entity, DRM sets rates in order to break even and minimize retained earnings while maximizing the protection of assets. The rate-setting process occurs annually as DRM insures over 6,700 buildings in the State. The DRM will need to evaluate the impact of implementing this recommendation as the administrative cost to bill and collect the additional premiums and process the premium refunds may exceed the revenue collected.

The Division of Risk Management sends out a list of buildings to each covered entity in early May asking them to review the building list for completeness and accuracy. Since this occurs near the end of one fiscal year and the beginning of another, agencies are pressed for time and frequently do not get the lists back to the DRM until after July 1. Almost all changes reported between July 1 and September 1 are for changes that occurred before July 1 so they are correctly charged a full year's premium for the buildings and contents at these locations. DRM follows up with large entities in June of each year to find out when they will be returning their statements so that they are properly recorded and billed.

The locations added after September 1 tend to be smaller, inexpensive buildings that are identified during an inspection. They are frequently sheds or storage buildings. DRM does have a few larger building that are reported during the period September 1 to June 30 such as a building being donated to a college by an alumnus. If the building has a value of \$25 million or more, Risk requires the entity to pay a premium on the building. However, no buildings of that magnitude have been reported in over five years.

Finding 2, Recommendation 1: *We recommend that the State Building Board consider prioritizing a multi-agency state office building to house state entities that currently lease space in or around Salt Lake County.*

Agency Response: DFCM recognizes the cost-savings that can result from lease consolidation as well as the public process in which those decisions are made. In fiscal year 2013 DFCM proposed a 190,000 square foot building to consolidate leased space into a state owned building. The cost of the project was \$42.5 million and included a recommendation to pay the bond over 14 years using revenues from consolidating leases within Salt Lake County. The building was to be located on the White Ball Field. This project was presented to the State Building Board and ranked 16 out of 21 on the prioritized list presented to the Legislature. This project did not receive the legislative approval needed for DFCM to complete the project.

DFCM supports lease consolidation and state facility ownership when four criteria are fully understood:

1. **Timing** – Leases come due at different times and may affect the timing of constructing a building and consolidating leases. DFCM discourages breaking leases as it puts the State’s credibility at risk as well as future lease negotiations.
2. **Agency Need** – Leasing can be more cost effective than ownership if long-term facility needs are unknown or fluctuate. Agencies may have specific needs that cannot be assessed “on paper.”
3. **Location** – Some agencies may have specific location needs which cannot be accommodated in a consolidated building. Other agencies may work more effectively if co-located together.
4. **Cost-Effectiveness** – Lease savings from consolidation may be significant, but should be evaluated in view of funding source, cost of construction, and on-going maintenance and improvements. Particular attention should be paid to leases involving federal funds and whether or not those funds may participate in a state-owned facility.

DFCM is available and more than happy to advise policy makers on potential consolidation scenarios.

Finding 3, Recommendation 1: *We recommend that the Legislature require state entities to insure their buildings base on their replacement cost, or receive a written exemption from the Division of Risk Management.*

Agency Response: The Division of Risk Management currently collects and reports replacement cost from a Marshall & Swift valuation on all state owned buildings. Marshall & Swift estimates replacement cost based on type of building, use of building, materials used, etc. State agencies currently have the ability to report the value of the building based on their own internal estimation.

The Division of Risk Management recognizes the potential liability of underinsured buildings and has developed a strategy to reduce this problem. Insured entities are usually not experts in building valuation – most risk managers are assigned as a secondary duty. Therefore DRM will

provide guidance to customers as statements of calculated and reported value are sent out to agencies.

DRM will recommend agencies insure the building at the higher value. If this results in a higher premium, then the Legislature will likely be required to fund the increase in premium through the internal service fund allocation.

Finding 3, Recommendation 2: *We recommend that the Division of Risk Management charge state entities an appropriate coinsurance or other penalty on damages in excess of the insured value.*

Agency Response: The Division of Risk Management will explore implementing a certain level of coinsurance for damages exceeding insured values as it sets rates for the September 2014 Rate Committee.

Finding 3, Recommendation 3: *We recommend that the Division of Risk Management provide the Legislature and the State Building Board with an accurate valuation of state buildings' replacement values in order to adequately and appropriately fund capital improvements.*

Agency Response: The Division of Risk Management will continue to provide replacement value information to the State Building Board and the Legislature as required by statute. As agencies and institutions review the calculated and replacement cost of their facilities and as Risk Management makes changes to those values, the numbers provided to the Building Board and the Legislature will change accordingly.

While undervalued buildings *could* lead to underfunding capital improvement in the future, it has not led to underfunded capital improvements in the last six years as capital improvements have not been funded at the 1.1% level since fiscal year 2008.

Finding 3, Recommendation 4: *We recommend that the Division of Risk Management assess the valuations of all buildings whose current replacement value is the same as the buildings' square footage – or other buildings that clearly appear to be in error – to ensure the buildings are appropriately valued.*

Agency Response: Marshall & Swift, the national valuation service used by DRM, does not provide an estimated replacement value for all types of buildings. Buildings that do not have a Marshall & Swift replacement value are identified in the DRM database by showing the square footage and the replacement value as the same amount. This is essentially a “flag” for DRM to use the reported value provided by the agency. DRM works with agencies to appropriately value these assets. The two examples cited by the audit on page 25 are classified as “MISC” or miscellaneous and therefore use the reported value instead of the current replacement value.

Finding 4, Recommendation 4: *We recommend that the Division of Facilities and Construction Management create a master plan for the use of the “white ball field” to best fulfill the needs of the state and its taxpayers.*

Agency Response: DFCM initiated discussions with the State Fair Park in September of 2013 to develop a master plan for the fair park including the “white ball field.” DFCM is currently working with the State Fair Park to coordinate a comprehensive master plan for the area.

Finding 4, Recommendation 5: *We recommend that the Division of Facilities and Construction Management prepare a plan for the use or sale of the 11.5 acres owned in Brigham City.*

Agency Response: See response to Recommendation 7.

Finding 4, Recommendation 6: *We recommend that the Division of Facilities and Construction Management assess the value and potential uses of parcels of land it owns on the mountainside east of Ogden.*

Agency Response: See response to Recommendation 7.

Finding 4, Recommendation 7: *We recommend that the Division of Facilities and Construction Management review the land records from each county in order to identify state-owned land and determine the best way to maximize the land’s value to the state and its taxpayers.*

Agency Response: DFCM has begun the process of performing a title search to identify all state-owned land. Once a complete and an accurate inventory is identified, DFCM will then develop a comprehensive master plan for the entire state land inventory, including the “white ball field,” Brigham City land, and the east mountainside in Ogden.

This master plan will assist in identifying what parcels have little potential or value for future state development needs and should be sold. Additionally, it will also identify which parcels are in locations that will best serve the state to land bank and develop as the need arises.

Finding 4, Recommendation 8: *We recommend that the Division of Facilities and Construction Management establish and maintain an accurate inventory of state-owned land.*

Agency Response: DFCM is beginning the process of identifying all state-owned land parcels and fully intends on keeping this information updated and accurate in the AiM database going forward.

Finding 5, Recommendation 6: *We recommend that the Division of Facilities and Construction Management request individual electronic access cards from the Utah Highway Patrol for contract employees rather than issuing generic, non-personalized access cards.*

Agency Response: DFCM has discussed this recommendation with the Utah Highway Patrol and is working on addressing the issue. Contract employees will now be issued their own access and identification card, including their name and photo. These access cards will be issued daily when they arrive for their shift and will be returned the same day at the completion of their work. Access cards will not leave the complex. Electronic access cards will be controlled and only issued upon verification and approval of the DFCM Facility Coordinator.

Finding 5, Recommendation 7: *We recommend that the Division of Facilities and Construction Management only grant contractors access to the doors needed to perform their duties, and during specific times of the day that would be appropriate for accomplishing their functions while protecting office security.*

Agency Response: DFCM has discussed this recommendation with the Utah Highway Patrol and a resolution is being finalized. DFCM will eliminate all current general access cards that are issued to service vendors as they periodically work on building systems. DFCM will work with the Utah Highway Patrol to program new access cards specific to each building and only for specific times and areas needing to be accessed. These will be controlled by the Utah Highway Patrol and only issued after DFCM approval when the vendor arrives on the job site. These access cards will be returned before they leave the campus at the end of their work.

Thanks to you and your staff for your effort in conducting this audit and for your consideration of these responses to your findings and recommendations.

Sincerely,

Kimberly K. Hood
Executive Director
Department of Administrative Services

**Department of Human Services
Response**

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State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Human Services

ANN SILVERBERG WILLIAMSON
Executive Director

Division of Services for People with Disabilities

PAUL T. SMITH
Director

January 28, 2014

Office of the Utah State Auditor
David S. Pulsipher, CIA, CFE, Performance Audit Director
East Office Building, Suite E310
Utah State Capitol Complex
Salt Lake City, Utah 84114

Dear David:

The Utah Division of Services for People with Disabilities (DSPD) appreciated the opportunity to work with the State Auditor's office on Performance Audit No. 14-01, A Performance Audit of State Buildings and Land. We also appreciate the opportunity to provide a response to the findings and recommendations in the audit report.

We concur with many of the observations in the report and value the opportunity to work collaboratively with the State Auditor's Office, the Division of Facilities Management, and other stakeholders in the development of strategies for the optimal utilization of the Utah State Developmental Center (USDC) resources for the benefit of Utah citizens with developmental disabilities.

Coincidentally, the audit report parallels the culmination of efforts by the Department of Human Services (DHS) and DSPD to: (1) Finalize a long-term strategic vision for the Utah State Developmental Center (USDC), (2) Develop a master plan for the northern parcel of USDC land currently in use for agricultural purposes, and (3) complete a comprehensive analysis and long-range plan for the existing campus buildings and infrastructure.

DSPD feels that a large part of the audit report complements the conclusions reached in the USDC master plan; which was developed by a professional and experienced planning, development and engineering group. The master planning process included input and participation by Utah County and the communities surrounding USDC, as well as State-wide stakeholders. The strategic vision and the master planning process resulted in comprehensive, thoughtful, and expert recommendations for the land currently being utilized for agriculture, as well as recommendations for the efficient utilization of the existing campus resources.

Our Mission is to Promote Opportunities and Provide Supports for Persons with Disabilities to Lead Self-Determined Lives.

195 North 1950 West, • Salt Lake City, Utah 84116 • telephone (801) 538-4200 • fax (801) 538-4279 • www.dspd.utah.gov

As was indicated in the audit report, the State has a long standing and important fiduciary trust to ensure the land and resources at USDC are utilized for the benefit of some Utah's most vulnerable citizens. DHS and DSPD are fully cognizant of this trust and recognize the importance of ensuring that any development of land or resources reflects the purpose for which the USDC was created. Because the land, once sold, will constitute a permanent and long-term decision affecting many future generations, it is vital that any development follow the master plan, strategic vision, and State code provisions governing the use of the land and resources at USDC.

It is estimated that over seventy thousand Utah citizens have an intellectual disability or related condition that would qualify them to receive services through DSPD/USDC. Today, DSPD provides services to over five thousand people in their homes, community group homes, or at USDC. As evidenced by a waiting list of approximately two thousand people, the need for resources and supports for people with disabilities will remain a priority into the future, and services such as those found at USDC will become more and more valuable.

Beginning in the early 1980's more and more families elected to receive services in their homes and communities rather than at USDC. USDC currently serves around 200 Utah citizens on a long-term basis, and approximately 100 individuals annually on a temporary basis. The demand for the resources and expertise of DSPD continues to grow, and reflects the wide spectrum of needs for Utahans with disabilities. As Utah's population increases, medical advances allow people with complex needs to live longer lives, and Autism, acquired brain injury and other challenging behaviors increase in our population, the demand for resources provided by DSPD and USDC will increase. It is vital to safeguard the many assets at USDC for future generations.

Although we understand the perspective of the audit report in claiming that the demand for USDC has declined over the years, we would like to emphasize that USDC has, for many years, been an integral, necessary, and important part of the overall service system for Utah citizens with disabilities, and there is no evidence that this will cease to be the case.

We are in agreement with the audit report that there are infrastructure issues which need to be addressed. The system which pipes steam throughout the campus has performed extremely well and efficiently. This system has long outlived its useful life, and the State has benefitted from the many years of additional service provided by this system.

The audit report also indicates that water is being 'lost' through the use of the current system. It is not clear to us what 'lost' means, as the water leaving the return lines due to leaks, is reabsorbed into the general aquifer that provides water to USDC and surrounding communities. We are in agreement with a professional assessment conducted by WHW Engineering in January 2013 which states, "The optimal long term and best solution for the USDC would be to provide new piping within new tunnels".

Page 3
January 28, 2014

The audit report indicates that USDC should consider building twin homes for everyone residing at USDC. DSPD and DFCM have already conducted a study of the current buildings to address the needs of the people residing both temporarily and long-term at USDC. The study has resulted in a comprehensive and detailed building use plan for USDC. In order to fully understand the cost vs benefit of any type of construction at USDC, a thorough analysis of the clinical needs of individuals served, the increased cost of staffing small facilities vs larger facilities, and the long term cost of utilizing electricity rather than steam to heat and cool buildings, would need to be completed.

We look forward to continuing our work with the surrounding communities, interested stakeholders, and the legislature as we prepare to implement the recommendations of the current master plan to achieve maximum benefit for people with disabilities in Utah.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul T. Smith". The signature is written in a cursive style with a large initial "P".

Paul T. Smith
Director, DSPD

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Department of Public Safety Response

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State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Public Safety

KEITH D. SQUIRES
Commissioner

January 22, 2014

David Pulsipher, Performance Audit Director
Office of the Utah State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
Salt Lake City, Utah 84114-2310

RE: Performance Audit No. 14-01

Mr. Pulsipher,

This letter is in reference to our January 14th meeting at which time we discussed various aspects and concerns for security at the State Capitol. Your audit concluded with ten recommendations for improved security at the Capitol Complex.

After reviewing the recommendations and allowing Utah Highway Patrol administration to review the recommendations, we as a department agree with all of your findings and intend to address each point as soon as possible. This letter serves as an acknowledgement that improvements need to be made and that we fully intend to close all gaps and report back to the State Auditor's Office regarding the improvements made.

Thank you for being part of this important process and for providing an avenue for improvement in state services.

Sincerely,

A handwritten signature in black ink that reads "Keith D. Squires".

Commissioner Keith D. Squires
Utah Department of Public Safety

Cc: Colonel Danny Fuhr
Major Mike Kuehn