



A PERFORMANCE AUDIT OF STATE BUILDINGS AND LAND

JULY 30, 2015

DAVID PULSIPHER, PERFORMANCE AUDIT DIRECTOR



OFFICE OF THE
UTAH STATE AUDITOR

Background

DFCM – “hold[s] title to. . . All real property, buildings, fixtures, or appurtenances owned by the state or any of its agencies”

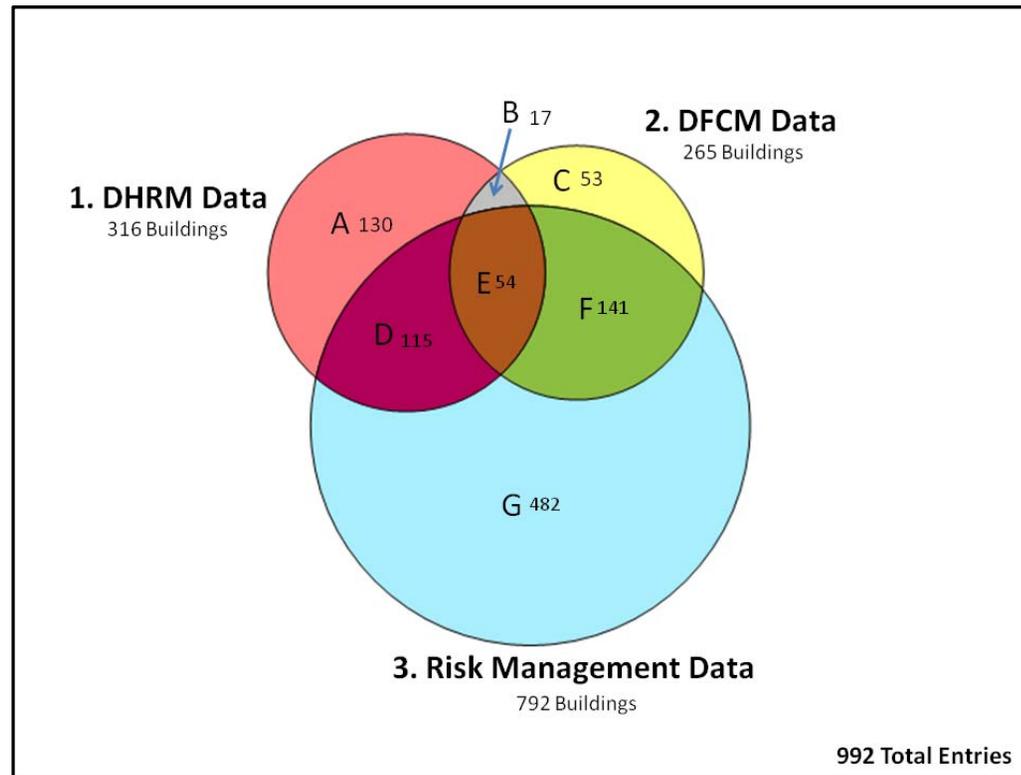
Risk Management – Insures buildings, contents, and accidents

State Building Board – Prioritizes and recommends capital improvement projects

DHRM – Maintains employee location information



Finding 1: No Reliable Office Building Inventory Exists



Finding 1 Recommendations

We recommend that:

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



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

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



Finding 2 Recommendation

We recommend that:

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



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

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

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See A Performance Audit of State Buildings and Land, p. 21-22



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

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



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

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

**Based on Utah Code 63A*

Source: OSA Analysis



Finding 3 Recommendations

We recommend that:

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



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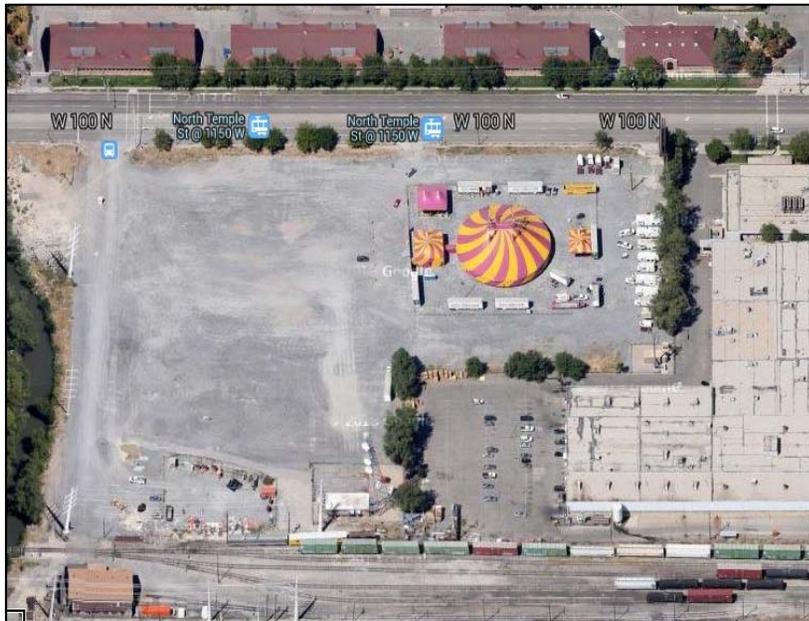


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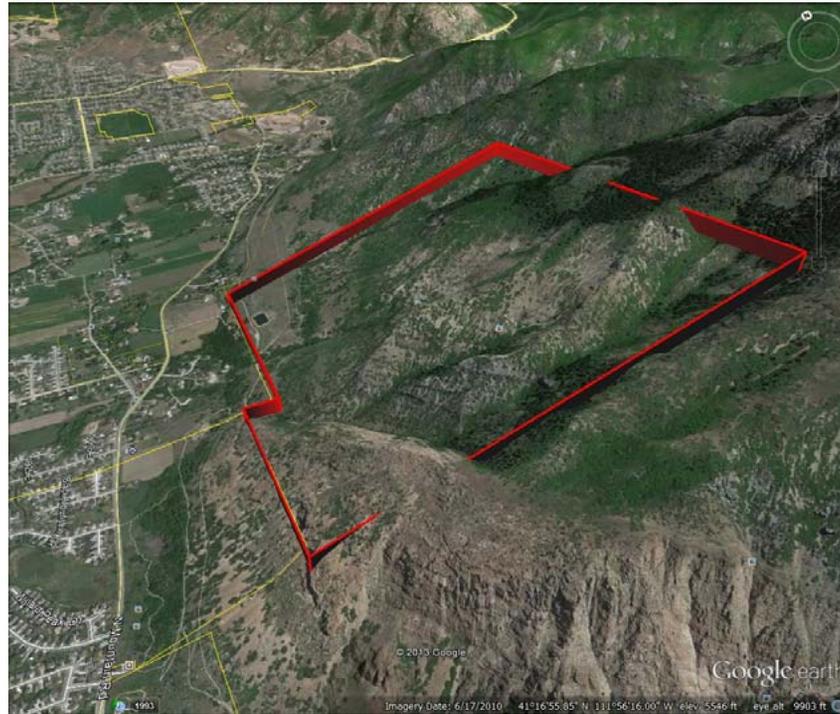
White Ball Field



Brigham City



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



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

We recommend that:

1. DSPD prepare and present a plan to the governor and Legislature for how the estimated proceeds from the development of land owned by the USDC would be used prior to finalizing development plans.
2. DSPD use revenue generated from land development to improve buildings and infrastructure on the USDC campus.
3. DSPD consider long-term building needs when prioritizing uses of proceeds generated from developing vacant land.



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

We recommend that

4. DFCM create a master plan for the use of the “white ball field” to best fulfill the needs of the state and its taxpayers.
5. DFCM prepare a plan for the use or sale of the 11.5 acres owned in Brigham City.
6. DFCM assess the value and potential uses of parcels of land it owns on the mountainside east of Ogden.
7. DFCM review the land records from each county in order to identify state-owned land and determine the best way to maximize the land’s value to the state and its taxpayers.
8. DFCM establish and maintain an accurate inventory of state-owned land.





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