Department of General Services

**Biennial Performance Audit
Follow Up for Fiscal Years Ended
June 30, 2022 and 2021**

**City Auditor, Josh Pasch
January 29, 2024**

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Honorable Bill Henry, Comptroller
   and Other Members
   of the Board of Estimates
City of Baltimore

EXECUTIVE SUMMARY

We conducted a *Biennial Performance Audit Follow-up of the Department of General Services* report dated August 12, 2021, which covered Fiscal Years Ended June 30, 2020 and June 30, 2019. The objective of our performance audit follow-up was to determine the implementation status of management action plans for the prior recommendations. The three prior findings that we followed up on pertaining to the absence of a: 1) Citywide property inventory system or process; 2) a process to collect and maintain individual and overall building occupancy rates; and 3) written occupancy agreements for all City-owned buildings managed by Department of General Services (DGS) (See page 4). Of the four prior recommendations, three recommendations, or 75 percent, were partially implemented, and one recommendation, or 25 percent, was not implemented.

We wish to acknowledge DGS's and Department of Real Estate's (DORE's) cooperation extended to us during our audit follow up.

Respectfully,

Josh Pasch

Josh Pasch, CPA
City Auditor, City of Baltimore
January 29, 2024

BACKGROUND INFORMATION

I. The Department of General Services

The DGS was approved by the citizens of Baltimore in the November 2008 General Election and began operations as an independent agency on July 1, 2009. The DGS is comprised of five divisions: Administration, Fleet Management, Facilities Management, Public and Private Energy Performance, and Capital Projects Division / Design and Construction. The DGS is committed to providing healthy work environments and safe, reliable vehicles for City employees by delivering customer service to City agencies, which serve Baltimore's community members and stakeholders. The Facilities Management Division (Service 731) is the relevant division for the audit follow-up. It is responsible for providing maintenance and repair to over 500 municipal buildings. The 82 core buildings, owned by the Mayor and City Council, comprise over 4.7 million square feet of workspace. The tenant agencies include most departments of City government. The DGS maintains 57 buildings through an Internal Service Fund (ISF), including recently added historic properties. Agencies occupying buildings supported by the ISF are charged rent on a square foot basis. The remaining 25 buildings, including current surplus schools, are funded directly through the General Fund. The DGS is actively engaged with partners to identify opportunities for alternative uses for the surplus schools.

II. The Department of Real Estate

The DORE, an agency under the Comptroller's Office, manages the City's real estate assets and is responsible for the leasing of City-owned property to agencies and other parties; leasing of private property to City agencies; acquisition and disposition of real estate for the City; review of real estate-related transactions and development proposals for City-owned real property; the review of all City leases; and administration and licensing of transactions involving City-owned cell towers and small cells. The DORE also maintains the repository of unsold tax certificates after the annual tax sale and a public inventory of all City-owned property and associated leases.

OBJECTIVE, SCOPE, AND METHODOLOGY

We conducted our follow-up audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. The objective of our audit was to follow up on prior finding and recommendations included in the previous Biennial Performance Audit Report dated August 12, 2021.

To accomplish our objective, we:

- Conducted meetings and walkthroughs with DGS and DORE leadership to determine the current status of management actions that the agency provided;

- Conducted a walkthrough with Department of Housing and Community Development (DHCD) leadership to understand the systems under its span of control, which impact Citywide inventory reporting (e.g., BuildingBlocks and Slate);

- Reviewed the agency-provided supporting documentation and performed testing as necessary to determine if the management-reported implementation status was supported; and

- Reviewed the following documents:

  o Service list of City-owned property managed by DGS;

  o Occupancy agreements;

  o Evidence of the procurement status of Visual Lease software; and

  o Evidence of DORE meetings with the respective agencies.

IMPLEMENTATION STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

Table I

Summary of Implementation Status of Audit Findings and Recommendations from the Biennial Performance Audit Report for Fiscal Years Ending 2020 and 2019

No.	Finding	Prior Recommendation	Management's Self-reported Implementation Status	Auditor's Assessment
1.	The City does not have efficient and effective processes and a system to identify, record, update, and maintain a unified inventory of all the City real property, including City-owned vacant property. As a result, there is the risk of the City not being able to effectively: (1) manage the City's real property; (2) identify vacant properties to make informed decisions regarding the City's vacant real property; and (3) accurately report property value for financial reporting purposes.	We recommend the City Comptroller work with the heads of other affected agencies such as Baltimore City Recreation and Parks (BCRP), DGS, DHCD, Department of Planning (DOP), Department of Transportation (DOT), and Department of Public Works (DPW) to: (1) Establish an efficient and effective City real property inventory system and processes for: (i) City-owned property, and (ii) properties formerly owned by private entities and acquired by the City; (2) Periodically record, update, and maintain a unified inventory of the City's real properties, specifying occupied or vacant and associated dollar value, for making informed	**Partially Implemented** Over the course of the approximately past 18 months, the City has acquired and implemented the use of the Building Blocks property information system created by Tolemi. This robust database of all properties within the City of Baltimore – both privately-owned as well as those properties owned by the Mayor and City Council – functions as a central hub to assist in the identification, recordation, updating, and maintaining a unified inventory. Buildings Blocks works in conjunction with Slate. DORE is currently in the process of fully integrating the use of Building Blocks and Slate into their respective workflows. Additional coordination with other affected agencies is required and will result in updated policies and procedures that will outline the roles and responsibilities of the DORE and other agencies.	**Not Implemented** The City does not have a centralized system (software) or an agency coordinating information from City's agencies to compile the overall list of Mayor and City Council (M&CC)-owned buildings, which are occupied or not utilized (see below). As a result, the risk discussed in the previous audit remains the same. - The DHCD implemented BuildingBlocks that tracks all buildings in the City of Baltimore, including M&CC-owned buildings; however, BuildingBlocks does not indicate whether M&CC-owned buildings are occupied or not utilized. Slate is the workflow system for DHCD to track the status of DHCD-led projects, including procurement / sale

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	The causes of the issue are: (1) there are no City-wide formal policies and procedures outlining the roles and responsibilities of DORE and affected agencies for recording and maintaining a list of City-owned property; (2) the management and ownership of City-owned real property has become increasingly decentralized over the years. This, combined with decreasing communication and coordination, led to the current process of various agencies maintaining real property listings under their responsibility.	decisions for sale, purchase, disposal of City-owned real property, and financial reporting; and (3) Establish the formal (written, dated, signed) City-wide policies and procedures outlining the roles and responsibilities of DORE and affected agencies.		and transfer of ownership of buildings. - The DORE has procured a Visual Lease software and is in the process of populating real property data assigned to DGS, as well as leases to and from private sector. This software will also be used to calculate utilization rates. - The DOT's legacy system continues to track M&CC-owned buildings; however, it doesn't indicate whether M&CC-owned buildings are occupied or not utilized.

No.	Finding	Prior Recommendation	Management's Self-reported Implementation Status	Auditor's Assessment
2a.	The City does not have a process to collect and maintain affected agencies' building occupancy and / or vacancy rates; and DGS' initiative to improve tracking building occupancy and / or vacancy rates is incomplete.	We recommend the Mayor and the Comptroller require affected agencies such as BCRP, DGS, DHCD, DORE, and DOT to: (1) calculate individual and overall building occupancy rates and / or vacancy rates in square feet; (2) work together to establish a process to maintain affected agencies' individual building occupancy rates and implement formal (written, dated, signed) City-wide policies and procedures for this process that will include roles and responsibilities of the affected agencies.	**Partially Implemented** There is no immediate value in tracking vacancy rates in properties that are held for either public park use purposes, disposition, or right-of-way uses or uses that would inaccurately represent vacancy rates for purposes of tracking the occupancy of city holdings. Occupancy and Vacancy rates should be tracked in occupied buildings managed by DGS as well as buildings that are core assets for which DGS has capital budgeting responsibility. In situations where DORE is asked to find space for a City agency, it is critical for DORE to be aware of individual and overall building occupancy and vacancy rates throughout the M&CC-owned inventory. This data will need to be furnished through a coordinated effort of the affected agencies and be maintained within a central database. The DORE is currently in the process of licensing and implementing the use of industry-specific software, Visual Lease, to fulfill this central database need. Coordination meetings need to be scheduled with the affected agencies to establish additional policies and procedures that are to be adopted in order effectuate this essential function including implementation of effective data collection from agencies.	**Partially Implemented** The DORE entered into a Technology License / Service / Software Agreement with Visual Lease LLC during October 2023.

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2b.	The City does not have a process to collect and maintain affected agencies' building occupancy and / or vacancy rates; and DGS' initiative to improve tracking building occupancy and / or vacancy rates is incomplete.	We recommend DGS: • Establish and implement effective and efficient processes for the current data collection activities; and • Document above bullet in formal (written, dated, signed) policies and procedures to calculate and record the building occupancy rate.	**Implemented** 1) All square footages of DGS-owned facilities have been verified and uploaded to Archibus as well as the service list. 2) Square footages and occupancy data can now be pulled separately or used to determine vacancy rate in DGS facilities 3) Vacancy and Occupancy data for DGS facilities is updated frequently and can now be seen in the service list	**Partially Implemented** The DGS revised its process to properly calculate the building occupancy rate for buildings under its span of control. However, formal (written, dated, signed) policies and procedures were not developed.
3.	The DGS does not have written agreements for all City-owned buildings managed by DGS.	We recommend the Director of DGS require all tenants occupying spaces in City-owned buildings managed by DGS to have either a formal written lease, Memorandum of Understanding, or Service Level Agreement. These agreements will detail the terms and responsibilities of the tenant occupying space and DGS.	**1) Implemented** - All spaces / offices which did not have agreements at the time of the audit have been identified. **2) Partially Implemented** - With the exception of City Hall, all spaces / offices that did not have an active lease agreement and were located in the outlying areas and downtown campus have had an Occupancy Agreement created with the exception of City Hall. Occupancy agreements for the other agencies / offices were submitted to DORE at the end of FY 23 Q2 and are waiting for them to be placed on the Board of Estimates (BOE) agenda. Once they have been approved by BOE, DGS / Portfolio Management & Property Services will begin to create the agreements for the City Hall tenants. We	**Partially Implemented** The DGS identified and developed unsigned occupancy agreements (OAs) for all occupied spaces excluding City Hall. However, the Real Estate Committee has not completed the review of OAs.

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			expect these agreements to be ready for BOE submission by the end of the 2nd Quarter of FY 2024. **3) Partially Implemented -** Agencies that did not have agreements in FY 2019 and 2020 will begin receiving their annual fiscal notifications in June / July of this year which will notify them of their rate for the upcoming fiscal year.	