



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Audit Report on the Department of
Citywide Administrative Services
Management of City Office Space

MD13-113A

March 26, 2015

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, NY 10007

SCOTT M. STRINGER
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March 26, 2015

Dear Residents of the City of New York:

My office has audited the Department of Citywide Administrative Services (DCAS) to determine whether it adequately accounted for and managed the inventory of City office space. We perform audits such as this to ensure that City agencies are adequately managing City resources.

This audit found that DCAS does not adequately account for and manage the inventory of City office space. The agency does not have a reliable computer system or an effective tracking tool to assist it in processing moves and renovations, or with maintaining an inventory of all City office space. The audit also found that DCAS does not have an accurate inventory listing of available office space and did not consistently follow its protocols for evaluating space requests.

To address these issues, the audit recommends that DCAS ensure that its real estate database and hard-copy space tracking system are regularly reconciled and updated, and that the square footage information entered in its real estate database and on the hard copy space tracking system is accurate. The audit further recommends that DCAS create a checklist of the office space request process for reviewers to follow and document the reasons for any decision not to follow specific protocols in the process.

The results of the audit have been discussed with DCAS officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Department of Citywide Administrative Services Management of City Office Space

MD13-113A

EXECUTIVE SUMMARY

The objective of this audit was to determine whether the New York City (City) Department of Citywide Administrative Services (DCAS) adequately accounts for and manages the inventory of City office space. DCAS is responsible for providing City agencies with the resources and support they need to provide the best possible services to the public. Among its many other responsibilities, pursuant to City Charter Chapter 35, §824(b), DCAS is authorized to assign and reallocate space and real property to City agencies that is owned and leased by the City.

City government offices occupy over 19 million square feet of space.¹ This office space includes 12.5 million square feet of space leased at a cost of roughly \$365 million a year and 6.5 million square feet of City-owned space which costs the City approximately \$70 million a year to operate and maintain. DCAS manages 51 City-owned buildings and two privately-owned buildings located in the five boroughs which contain over 11.9 million square feet. This audit focuses on this DCAS-managed office space only.

Audit Findings and Conclusions

DCAS does not adequately account for and manage the inventory of City office space. The agency does not have a reliable computer system or an effective tracking tool to assist it in processing moves and renovations, or with maintaining an inventory of all City office space. The audit found that DCAS does not have an accurate inventory listing of available office space and did not consistently follow its protocols for evaluating space requests. As a result, DCAS is hindered in its ability to track vacancies and is unable to maximize the efficient use of City resources, which could result in unnecessary and increased costs to the City. The audit also found that DCAS did not make the appropriate entries in the City's Financial Management System

¹ This figure does not include space used for court-related functions and non-office space such as police precincts, firehouses, schools, and garages.

(FMS) regarding certain lease payments to one vendor that resulted in the underreporting of 1099 payments by \$4.2 million.

Audit Recommendations

To address the audit findings, we made ten recommendations, including that:

- DCAS should ensure that its real estate database and hard copy space tracking system are regularly reconciled and updated so that an accurate and reliable inventory listing of office space and vacant space is established and maintained.
- DCAS should ensure that information entered in its real estate database and on the hard copy space tracking system such as square footage is accurate.
- DCAS should create a checklist for reviewers to follow and require a certification or supervisory review of the entire space request process to ensure that all required steps have been followed and documented.
- DCAS should document the reasons for any decision not to follow specific protocols in the office space request process.
- DCAS should contact the City's Financial Information Services Agency (FISA) for advice and make the necessary changes to the accounting records in FMS pertaining to the vendor in question so that a corrected 1099 can be issued.

Agency Response

DCAS officials disagreed with the audit findings, but generally agreed with all ten recommendations. In their response, DCAS officials disagreed with the report's findings stating "the auditors' findings and conclusions are based on flawed methodologies, unsubstantiated claims, and a lack of understanding of standard real estate terms and definitions. Consequently, DCAS cannot agree with most of the findings of this Audit Report."

The audit findings were shared with DCAS officials verbally and in writing during the audit and discussed with them prior to the submission of the draft report for their comments. All information provided by DCAS was taken into consideration and the report was modified where warranted. For many of DCAS' arguments related to the audit findings, however, the agency provided no credible evidence to support its claims. In such instances, in accordance with generally accepted government auditing standards (GAGAS), we have no basis to alter the audit's findings.

As is clear from DCAS' response to the audit findings, differences of opinion over the factual issues we report remain. We recognize the underlying difficulty of accurately maintaining a useful inventory of City office space. As we report and DCAS describes in its response, there are several different ways of measuring available and/or usable space in the real estate industry. These differences increase the difficulty for DCAS, which uses two different space inventory management tracking tools, to accurately maintain useful current inventory information in either or both of these tools. We recognize that the audit scope concerned practices under a prior administration and that DCAS has, as it reports in its response, "implemented new policies and procedures regarding office space management." We also note that, despite the difference of

opinion DCAS asserts in its response to our findings, it has generally agreed with all ten audit recommendations.

AUDIT REPORT

Background

DCAS is responsible for providing City agencies with the resources and support they need to provide the best possible services to the public. Among its responsibilities, pursuant to City Charter Chapter 35, §824(b), DCAS is authorized to assign and reallocate space and real property owned and leased by the City to City agencies.

City government offices occupy over 19 million square feet of space. This office space includes 12.5 million square feet of space leased at a cost of roughly \$365 million a year and 6.5 million square feet of City-owned space which costs the City approximately \$70 million a year to operate and maintain. DCAS manages 51 City-owned buildings and two privately-owned buildings located in the five boroughs, which contain over 11.9 million square feet. This audit focuses on this DCAS-managed office space only.

DCAS's Asset Management Unit (Asset Management) oversees the daily maintenance and operation of DCAS-managed office space. It is also responsible for purchasing, selling, and leasing real property. Asset Management works with City agencies to address their real estate needs; it identifies office space locations for agency operations, negotiates and signs leases, and manages the development of architectural plans and the construction or renovation of City-owned and leased office space.

In carrying out its functions, Asset Management relies on three divisions which focus on real estate, design and acquisition, respectively. The Real Estate Financial Services Unit collects and pays rents and conducts lease audits to review real estate tax escalations and operating expenses. The Design and Project Management Services Unit is responsible for architectural and construction services after an office space request is approved and the decision is made to lease or renovate a property. The Acquisition and Leasing Unit manages the office space request process and prepares the information necessary for approval by the City's Office of Management and Budget (OMB). The agency space request process involves 13 basic steps designed to ensure that the space assigned to City agencies complies with the City's space guidelines and budget requirements. While the office space request process is led by DCAS, many steps directly involve agency personnel. (The appendix to this report sets forth the 13-step process in detail.)

Asset Management uses a real estate database called the Integrated Property Information System (IPIS) to record all office space, City-owned or leased, and to record and track the square footage of both occupied and vacant office space. In addition, Asset Management implemented the use of "stacking plans," a hard copy management tool that provides a visual representation of space assignments in each DCAS-managed building. The stacking plan for each building indicates the square footage on each floor and how that square footage, including vacant space, is allocated. The square footage is generally measured in terms of both rentable space and carpeted space.² According to DCAS officials, IPIS tracks gross square footage only, which is

² According to the *City of New York Real Estate Measurement Guide*, "rentable square footage is used as the basis for tenant rental payments and is the measurement to the exterior surface of each exterior building wall or to the outside surface of the glass to the centerline of any building perimeter (excludes any open shaftways or open courtyards unless used for tenant functions). Carpetable square footage is used to demise and evaluate space for occupancy and used by a tenant program and is that portion of the floor that can be occupied, used and restricted to a tenant's programs and personnel. All public spaces and corridors are excluded from this measurement."

generally equivalent to rentable space. These stacking plans are updated on an ongoing basis, according to DCAS, whenever changes are made.

DCAS Response: “The auditors incorrectly assert that the Integrated Property Management System (IPIS) tracks only gross square footage, which according to them, is generally equivalent to rentable space. Although DCAS provided the auditors with standard industry definitions for gross, carpetable, and rentable square footage measurements, the auditors did not take note of these differences and incorrectly concluded that ‘gross square footage . . . is generally equivalent to rentable space.’”

Auditor Comment: Both during and subsequent to the exit conference, DCAS officials contended that IPIS tracks gross square footage. We provided DCAS officials with an opportunity to provide evidence supporting its contention that the gross square footage in IPIS is *not* generally equivalent to rentable space. No such evidence was provided, however. In the absence of evidence to the contrary, we have no basis to change the report.

Asset Management is also responsible for the disposal of City-owned real estate through public sales and lease auctions. In 2010, former Mayor Michael Bloomberg announced plans to reduce government office space by 1.2 million square feet and \$36 million in annual expenses. As part of a government consolidation plan, DCAS and the New York City Economic Development Corporation managed the sale of two City-owned buildings in 2013, 49-51 Chambers Street and 346 Broadway. Together, these two buildings contained 580,575 square feet of office space. They were sold for \$222.1 million.

According to the Comptroller’s Comprehensive Annual Financial Report, the City’s total lease expenditures for all properties in Fiscal Years 2012 and 2013 were approximately \$814.7 million and \$842.0 million respectively. According to DCAS’ records, lease expenditures for properties managed by DCAS in Fiscal Years 2012 and 2013 were \$83.1 million and \$87.2 million respectively.

Objective

The objective of this audit was to determine whether DCAS adequately accounts for and manages the City’s inventory of City-managed office space.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. These 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 findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The primary audit scope was Fiscal Years 2012 and 2013. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results with DCAS

The matters covered in this report were discussed with DCAS officials during and at the conclusion of this audit. A preliminary draft report was sent to DCAS officials and discussed at an exit conference on January 28, 2015. On March 5, 2015, we submitted a draft report to DCAS officials with a request for comments. We received a written response from DCAS officials on March 19, 2015.

Although DCAS generally agreed with all ten recommendations, the agency disagreed with the report's findings stating "the auditors' findings and conclusions are based on flawed methodologies, unsubstantiated claims and, a lack of understanding of standard real estate terms and definitions. Consequently, DCAS cannot agree with most of the findings of this Audit Report." In addition, DCAS claims that the audit was not conducted in accordance with GAGAS, stating that "the auditors failed to gain an understanding of the environment within which DCAS operates."

DCAS' response is incorrect and disingenuous. As described in more detail below, the findings in the report are based entirely on information provided by DCAS, and DCAS was given ample opportunities to provide additional evidence to support points on which it claims to disagree. Further, while often quoting from GAGAS, DCAS fundamentally misunderstands GAGAS. Fundamental to its precepts, "Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions." (GAGAS, §6.56) We have done so here.

In accordance with our rigorous quality assurance process, the audit findings were shared with DCAS officials verbally and in writing during the audit and discussed with them prior to the submission of the draft report for their comments. We discussed those findings with officials of the agency to ensure that they had an opportunity to point out anything they believe to be incorrect and to provide further evidence to support their view. All information provided by DCAS was taken into consideration, and the report was modified when warranted by the evidence presented. However, in many instances DCAS objects to a finding without providing credible evidence supporting its argument. In accordance with GAGAS, we have no basis to alter the report's findings absent credible evidence supporting such a modification.

In its response, DCAS disingenuously attempts to identify contradictions where none exist. Among other things, it claims that the report "strays from the stated objective" because the auditors included leased, non-office (including courts and warehouses), and private retail condominium spaces as part of the audit which calls into question the results of our analysis. However, the DCAS-managed spaces were appropriately discussed in this audit. We note that the City leases office space, the court buildings and warehouses in question are managed by DCAS and include office space being used by City agencies, and the private condominium spaces discussed are located in City-owned buildings used primarily for office space and are discussed only for the purpose of determining whether the non-City space is appropriately accounted for in DCAS' records.

As is clear from DCAS' response to the audit findings, differences of opinion over the factual issues we report remain. We recognize the underlying difficulty of accurately maintaining a useful

inventory of City office space. As we report and DCAS describes in its response, there are several different ways of measuring available and/or usable space in the real estate industry. These differences increase the difficulty for DCAS, which uses two different space inventory management tracking tools, to accurately maintain useful current inventory information in either or both of these tools. We recognize that the audit scope concerned practices under a prior administration and that DCAS has, as it reports in its response, “implemented new policies and procedures regarding office space management.” We also note that, despite the difference of opinion DCAS asserts in its response to our findings, it has generally agreed with all ten audit recommendations.

The full text of DCAS’ response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

DCAS does not adequately account for and manage its inventory of City office space because the agency does not have a reliable computer system or a tracking tool to record necessary information. DCAS cannot produce an accurate inventory of office space or track vacancies reliably and so is unable to make efficient use of City resources. As a result, the City may incur unnecessary and increased costs. In addition, DCAS has inadequate controls to ensure that procedures for office space requests are followed. Finally, DCAS did not make appropriate entries into the City's Financial Management System (FMS). As a result, 1099 Misc forms issued to one vendor for Calendar Years 2011 and 2012 were understated by \$4.2 million (\$3.2 million in 2011 and \$1 million in 2012).³ Consequently, the vendor may not have paid the appropriate amount of taxes. These deficiencies are detailed in the following sections of this report.

DCAS Response: "All City-owned and City-leased properties are accounted for in DCAS records, within IPIS. This is contrary to the auditors' statements regarding a lack of a 'reliable computer system or a tracking tool to record necessary information.'"

Auditor Comment: While City-owned properties may be accounted for in IPIS, information on the assignment of space within these properties is sometimes missing or inaccurate, as discussed in the following sections of this report. In the examples presented in this report where we found that IPIS did not appear to have accurate information, DCAS provided no credible evidence refuting our finding. Accordingly, we have no basis to alter our report.

Weaknesses in DCAS' Management of City Office Space

DCAS Does Not Have an Accurate Inventory List of Available Office Space

Our review found that DCAS does not maintain an accurate list of available office space, which hindered the agency's efforts to properly manage the City's office space inventory. In order to fulfill its Charter responsibility of assigning and reallocating space to City agencies, DCAS needs to have an accurate inventory of all City office space.

DCAS officials identified IPIS and DCAS' stacking plans as the two sources of its inventory information. However, when we looked at the condominium spaces in four City-owned buildings, we found discrepancies between the square footage recorded in the Condominium Declarations and the square footage recorded in IPIS and the stacking plans.⁴ These discrepancies suggest that DCAS' records may not be accurate. A comparison in IPIS, the stacking plans, and the Condominium Declarations is shown in Table I.

³ The 1099-MISC form reports the total amount of payments for services made to a person or entity during the year that the individual or entity received those payments.

⁴ A Condominium Declaration establishes the existence of and further governs the use and maintenance of a condominium property. It includes legal descriptions of the condominium and of each individual unit and provisions regarding the use of the condominium units and common areas. The declaration is a sworn statement signed by the property owner (DCAS or the Mayor's Office for the City of New York) and the buyer before a public notary, and is filed with the New York Department of State.

Table I

Square Footage of City-owned and Private Space per Stacking Plans, Condominium Declarations, and IPIS

Building Address	Stacking Plan Square Footage		IPIS Square Footage		Condominium Declaration Square Footage	
	Condo Unit Space	City Space	Condo Unit Space	City Space	Condo Unit Space	City Space
253 / 256 Broadway	15,238	210,044	15,238	210,044	40,952	227,033
345 Adams Street	44,502	241,777	44,502	241,777	35,662	262,183
210 Joralemon Street	47,071	426,085	0	346,899	47,071	503,036
330 Jay Street	130,652*	843,986*	0	71,436	146,777	830,879
Total	237,463	1,721,892	59,740	870,156	270,462	1,823,131

*Stacking plan had only one figure; it did not indicate whether it measured rentable or carpetable space.

According to the information in the Condominium Declarations, the amount of private condominium space in these four buildings is more than four times greater than what is indicated in IPIS and about 33,000 square feet greater than what is indicated on the stacking plans. In addition, as shown in Table I, the amount of City-owned space according to the Condominium Declarations is 952,975 (1,823,131-870,156) square feet greater than the amount indicated in IPIS and 101,239 (1,823,131-1,721,892) square feet greater than the amount indicated in the stacking plans. In addition, the square footage of City-owned space on the stacking plan is almost two times greater than what is recorded in IPIS, and the private condominium space is almost four times greater.

DCAS Response: “DCAS clarified that IPIS tracks only City-owned and City-leased spaces, yet the auditors fault DCAS for not tracking privately-owned retail condominiums.”

Auditor Comment: We are not faulting DCAS for not tracking privately-owned retail condominiums. We included this information to point out the discrepancies in the square footage for both the city-space and condominium space, which raises questions about the reliability of DCAS’ information. Furthermore, contrary to DCAS’ assertion that IPIS only tracks City-owned and City-leased spaces, Table I clearly shows that IPIS includes information on the privately-owned condominium space for two of the four buildings.

At the exit conference, DCAS officials questioned the type of square footage being measured (gross space, rentable space or carpeted space) in the Condominium Declarations and suggested that the discrepancies between IPIS and the Condominium Declarations may be due to differences in the types of square footage being measured, which is not indicated on the declarations themselves. The DCAS officials we met with are responsible for citywide real estate management but did not know the type of square footage being measured in the declarations. However, we note that in two instances the declarations were signed on behalf of the City by DCAS employees.

Our review also disclosed instances of significant differences between the amounts of square footage reported in the stacking plans and the amounts of square footage reported in IPIS. A comparison of the square footage information in IPIS and the stacking plans for the 20 largest buildings showed discrepancies for 14 of the buildings, as shown in Table II.

Table II
Comparison of Square Footage Recorded in IPIS and the Stacking Plans for the 20 Largest Buildings with City Office Space

Address	Total Space in stacking plan	Total Space from IPIS	Amount of square footage exceeded in Stacking plan	Amount of square footage exceed in IPIS	Gross discrepancy in square footage between IPIS and stacking plans	Available Square footage as per Stacking plan	Available Square footage as per IPIS
1 Centre Street	937,911	912,189	25,722		25,722	1,498	20,861
851 Grand Concourse	683,830	683,630	200		200	0	5,483
66-26 Metropolitan Avenue ^a	633,360 ^c	950,816		317,456	317,456	0	0
265 E.161st Street	591,350	427,733	163,617		163,617	0	0
100 Gold Street	558,843	558,843				0	0
100 Centre Street	558,795	525,674	33,121		33,121	0	0
125-01 Queens Boulevard	509,794 ^c	834,755		324,961	324,961	0	0
360 Adams Street	456,925	455,125	1,800		1,800	0	0
80 Centre Street	451,427	419,055	32,372		32,372	476	29,986
330 Jay Street	843,986 ^c	71,436	772,550		772,550	0	0
215 E.161st Street	400,232	391,777	8,455		8,455	0	0
210 Joralemon Street ^b	473,156	346,899	126,257		126,257	0	0
88-11 Sutphin Boulevard	355,500 ^c	355,500				0	0
60 Lafayette Street	348,814	333,624	15,190		15,190	0	0
2 Lafayette Street	347,035	347,035				93,964	108,287
125 Worth Street	313,908	313,908				0	0
345 Adams Street ^b	286,279	286,279				0	0
60 Centre Street	280,450	551,025		270,575	270,575	0	0
151-20 Jamaica Avenue	265,684	198,408	67,276		67,276	22,358	0
280 Broadway	260,364	260,364				0	0
Total	9,557,643	9,224,075	1,246,450	912,992	2,159,552	118,296	164,617
Number of buildings			11	3	14		

^a The discrepancy in the square footage for this building was due to a data entry error. The space for one agency was indicated as 30,230 square feet on the stacking plan but was incorrectly recorded in IPIS as 302,301.

^b These figures are a total of the stacking plan condo unit space and City space shown in Table I.

^c These are the only instances where the stacking plan only listed one measurement—square footage, rather than rentable square footage, as in all other instances in the table.

DCAS Response: “Table II contains much information that is out of scope, including a warehouse at 66-26 Metropolitan Avenue, and multiple court spaces within 851 Grand Concourse, 265 East 161st Street, 100 Centre Street, 125-01 Queens Boulevard, 360 Adams Street, 330 Jay Street, 215 East 161 Street, 88-11 Sutphin Boulevard, 60 Lafayette Street, 60 Centre Street, and 151-20 Jamaica Avenue.”

Auditor Comment: DCAS’ claim that certain information contained in Table II is out of scope is incorrect. All of the buildings identified in the table are managed by DCAS, and the non-court spaces are assigned to City agencies by DCAS; accordingly, these spaces clearly fall within the scope of the audit. What DCAS also fails to mention is that all of these buildings, with the exception of 88-11 Sutphin Boulevard (which is used primarily as a court, but which contains a small space utilized by DCAS), include office space used by other City agencies, including but not limited to the Administration for Children’s Services, the Police Department, and the Human Resources Administration.

The discrepancies we identified resulted from DCAS’ failure to regularly update the stacking plans and IPIS when changes in square footage occurred. We identified a number of instances in which either the stacking plans or IPIS was updated but not both, as they should have been.

It is not clear exactly when and for what purposes DCAS personnel chose to rely on the square footage data in IPIS or alternatively rely on the stacking plans to determine space availability. When we asked DCAS officials which resource staff primarily relied upon to track City office space, they identified IPIS. However, from our observations and reviews of documents maintained by DCAS, it appears that in practice DCAS personnel routinely refer to the stacking plans when tracking office space and not IPIS. This appears to be, at least in part, because the IPIS mainframe does not have the capability to generate reports on vacant space. Thus, in order to search for available or vacant space in IPIS, a check would need to be made manually of each individual building in the system, a time consuming and inefficient process. Accordingly, during much of the audit, DCAS personnel referred to the stacking plan, not IPIS, as their primary resource for tracking City office space.

DCAS Response: “It is important to note that stacking plans cannot be compared to data in IPIS. Stacking plans are an internal tool used for planning purposes, are working, fluid, organic documents, and are prepared for City-owned properties, not leased properties. These two tools, and the information contained within them, serve different purposes. However, the auditors improperly insist that two different sources of data that are utilized for two different purposes must be identical, without citing any criteria for that determination. They erroneously compare these two data elements and draw invalid and unwarranted conclusions.”

Auditor Comment: In quite a few instances the square footage assigned to specific agencies in IPIS matches the square footage reported in the stacking plans. In the absence of evidence to the contrary, we have no basis to alter this finding. DCAS officials did not provide any credible evidence to explain why the numbers would be identical in some instances and not others and otherwise failed to support their claim that the information in the stacking plans and IPIS cannot be compared.

DCAS Response: “The auditors state that IPIS ‘does not have the capability to generate reports,’ despite the fact that, on January 30, 2015, DCAS provided the auditors with a report from IPIS showing vacant spaces within DCAS buildings. In addition, in the Detailed Scope and Methodology section of this Report, the auditors note reviewing reports generated from IPIS, including the Listing of Office Leases and Rental Obligations.”

Auditor Comment: When specifically asked by the auditors “Can IPIS generate a report of all vacant spaces,” DCAS responded “The IPIS database does not have reporting capabilities but IPIS data is downloaded into an Access database for querying purposes.” DCAS also incorrectly paraphrases the Detailed Scope and Methodology section of this report, which does not refer to the information we were provided as an IPIS-generated report because we were not provided with information that it was. During the audit, DCAS officials stated that there is no available vacant office space in the City and that any space currently vacant is programmed for future use, meaning that a future tenant has been identified for the space. However, based on the discrepancies we identified in reviewing the available space records, it is not clear that DCAS has a reliable basis upon which to make this judgment.

Protocols for Evaluating Space Requests Were Not Consistently Followed

Our analysis found that DCAS did not consistently follow its protocols for space requests, which increased the risk of it entering into lease agreements that are not in the City’s best interest.

According to the DCAS Office Space Location process, up to 13 protocols must be followed when City agencies request office space, depending on the circumstances of each space request. A list of these 13 steps is set forth in the appendix to this report.

Our review of 8 of the 38 space requests either submitted by agencies during Fiscal Years 2012 and 2013 or executed during Fiscal Years 2012 and 2013 found insufficient evidence that all of the required protocols for 6 of the 8 sampled requests were followed.⁵ Of the 77 required steps for the 6 requests, DCAS provided no evidence that 13 (17%) were performed. A list of the protocols for which evidence was lacking is shown in Table III below.

⁵ Two of the eight sampled office requests were for agencies that moved from one City-owned office space to another, so not all 13 protocols were required to be followed.

Table III

**Required Protocols Lacking
Evidence for Sampled Requests**

Required Protocol	Number of Requests where Protocol was Required	Number of Requests where Protocol Not Performed	Percentage of Requests where Protocol Not Performed
Step 1 – Agency submits a space request form	8	4 ^a	50%
Step 2 – DCAS and OMB conceptually approve the project and DCAS reviews the availability of City-owned office space	8	7	88%
Step 3 – Agency reviews and signs P & E analysis and OMB approves P & E analysis.	8	2	25%
Step 4 – Agency approves a site for DCAS to pursue (including performing a market analysis) ^b	5	3 ^c	60%
Step 11 – Final plans approved ^d	7	1	14%

^a – Three of these four P&E forms did not include the agency’s needs for space and were not signed by agency personnel.

^b - This step was not required for the two sampled requests related to the moves from one City space to another. It also was not required for the sampled request related to the relocation to 2 Gotham Center.

^c - There was no evidence that a market analysis was performed in these instances.

^d - One the sampled requests was not yet at the stage where final plans would be approved.

Seven of the eight sampled requests had no evidence in their files that an adequate review of available City office space was conducted. For two of these seven requests, the only evidence was a letter stating “we understand that there are no suitable properties within the DCAS/DRES inventory available to meet the need indicated below.” However, the letters did not discuss how this conclusion was arrived at and available records do not indicate that either IPIS or the stacking plans were reviewed. For the remaining five space requests, the files contain no evidence indicating that DCAS personnel reviewed the availability of City space before deciding to lease. If DCAS fails to conduct the required inquiry into the availability of City space, it increases the risk that it leases private office space when suitable City space is available.

In addition, for the five requests that required a market analysis, only two had evidence that personnel conducted a market analysis to identify the best site. Failure to conduct required market analyses increases the risk that DCAS may enter into lease agreements that are not in the City’s best interest because the site selected may not be the best suited or least expensive available.

DCAS Response: “DCAS provided the auditors with a list of 13 suggested guidelines that were produced for informational purposes for agencies that seek new leased office space, to give agencies an overall understanding of the process and what might be required of them. . . the auditors . . . mistakenly and interchangeably refer to these guidelines as ‘required protocols’ . . . however, the guidelines may or may not apply to a specific situation.”

Auditor Comment: At no time during the audit fieldwork did DCAS officials indicate that the protocols were merely “suggested guidelines.” In fact, in response to a query asking which protocols are required for a relocation from City-owned space to City-owned space, DCAS responded that “all steps are required for City-owned space except those elements of steps involving leases and/or negotiations and except steps 5,7,8,9, 10 and 13.” The audit report takes full account of these exceptions.

DCAS Response: “Furthermore, it is not possible for DCAS to determine whether any oversights were made in this process because the auditors did not identify the samples referenced in their table.”

Auditor Comment: Contrary to DCAS’ claim, we shared the sampled space requests with DCAS during the course of the audit and provided the agency an opportunity to provide evidence if it disagreed with our finding. All credible evidence provided by DCAS was taken into consideration, and the table was modified when warranted by the evidence presented.

DCAS does not have a mechanism to help ensure that all required steps are followed when processing space requests. DCAS has no checklist for reviewers to follow and does not have a certification or supervisory review of the entire process to verify that all required steps are followed. In addition, we found no evidence that the decision to not follow certain protocols was reviewed and approved by appropriate personnel.

Inadequate Controls to Ensure Unnecessary Costs Are Not Being Incurred

Because DCAS does not properly track or account for vacated office space, there is an increased risk that the City may incur needless additional costs for leasing space that is then not fully utilized. We found that space vacated by certain offices of one agency was being used by that same agency to house different staff members, without DCAS being able to provide documentation that it had tracked and approved the reuse of this space.

Specifically, according to a Personnel and Equipment form completed by Department of Health and Mental Hygiene (DOHMH), DCAS was to move DOHMH staff from 125 Worth Street and 17 other locations to 2 Gotham, in Long Island City, Queens.⁶ In connection with this move, according to documentation in the space request file, all the space from which DOHMH moved was to be vacated. However, it appears that as of May 2014, DOHMH still occupied five floors of 125 Worth Street, totaling 190,120 square feet. We also confirmed with DCAS that these floors were still occupied by DOHMH on that date. However, according to documents in the space request file, DOHMH planned to vacate the location by September 30, 2012. We asked DCAS officials about the status of these floors, and were told that DOHMH moved staff out of 125 Worth Street into 2 Gotham and then moved other DOHMH staff into 125 Worth Street from other relinquished locations for backfill.⁷

Despite our requests, DCAS has not provided any documentation to support its claim that DOHMH requested and received approval to keep and backfill the spaces with staff relocated

⁶ The agency works with a DCAS architect to complete this form, which details the agency’s space and equipment needs.

⁷ The process of releasing space by identifying a new tenant prior to the current tenant vacating the space.

from other locations. When we asked DCAS to identify the previous locations for staff currently at 125 Worth Street, DCAS officials did not provide this information but instead responded that we should reach out to DOHMH for “specific details on its internal staffing decisions.” The response from DCAS indicates that the agency does not have records to enable it to identify the relinquished locations from which these staff were reportedly relocated. Consequently, DCAS did not have adequate controls to ensure that unnecessary costs are not being incurred for unused and underutilized space.

If there are DOHMH staff members currently working at 125 Worth who were scheduled to move to 2 Gotham and the space that DOHMH intended its staff to occupy at 2 Gotham is not being fully used, there is an increased risk that the City may be incurring unnecessary costs if it is currently leasing other space for agency personnel who could be moved into either what was supposed to be empty space at 125 Worth Street or the now vacant space at 2 Gotham. The estimated annual maintenance cost of the 190,120 square feet that was supposed to be vacated is approximately \$1,901,200 based on \$10 per square foot (DCAS’ estimated operating expense).⁸ DCAS should ensure that all office spaces vacated after an agency relocation have been appropriately and accurately recorded to maximize the most efficient use of City funds.

Deficiencies Identified in This Audit Have Been Previously Identified as Corruption Risks

Following the indictment and conviction of the City’s former Director of Leasing and Design for the Department of General Services (DCAS’ predecessor agency, known as DGS) for soliciting and receiving bribes from landlords in 1989, the City’s Department of Investigation (DOI) issued a report—*An Analysis of the Corruption Risks in the Management and Control Systems Within the Department of General Services, Bureaus of Leasing and Design in Leasing Private Space For City Use*—that included an analysis of the procedures utilized by DCAS’ predecessor agency, DGS for allocating, locating, and negotiating space for City agencies. The DOI report highlighted certain operational deficiencies that were also identified by this current audit. Those deficiencies include the following:

- The agency did not comprehensively search for existing City-owned properties and consider them for use as an alternative to leasing privately-owned space.
- Management did not effectively review staff work to ensure adequate processing of the space location process.
- Proper documentation of important steps in the space action process was inadequate or not maintained.
- No documentation existed to indicate uniform supervisory review of staff activities and decisions at critical steps in the leasing process.
- Data-processing capabilities were inadequate.

According to the DOI report, DGS generally agreed with the findings and recommendations made by DOI and provided an implementation plan. The DOI recommendations included that DGS,

⁸ In its sales analyses for both 49-51 Chambers Street and 346 Broadway, DCAS estimated the operating costs as \$10 per square foot.

now DCAS: 1) use uniform procedures to search for space in which to locate City offices and activities; 2) maintain documentation of significant events in the space-location process; and 3) document the routine management review of the space location efforts. DCAS should ensure that corrective actions recommended by DOI are properly implemented and maintained.

Recommendations

1. DCAS should ensure that IPIS and the stacking plans are regularly reconciled and updated so that an accurate and reliable inventory listing of office space and vacant space is established and maintained.
2. DCAS should ensure that information entered in IPIS and on the stacking plans such as square footage is accurate.
3. DCAS should correct the discrepancies identified to ensure that information on the privately-owned space and City-owned space is accurate.

DCAS Response to Recommendations #1, #2, and #3: “DCAS agrees that IPIS and the stacking plans should be updated regularly, as they always are, but, once again, it is important to point out that they will rarely contain identical data. They are used for different purposes and can contain different data at different times.”

“IPIS contains records of the inventory of City-owned and City-leased properties, which is accurate and updated every two years pursuant to Section 204 of the New York City Charter.” “IPIS is not used to track information on privately owned sites that are not leased by the City.”

Auditor Comment: As we state earlier, in quite a few instances the information in the stacking plans did match the information in IPIS. DCAS provided no credible evidence to support its claim that the information in the stacking plans and IPIS cannot be compared. DCAS is also not consistent regarding the information tracked in IPIS; in two of the four instances cited in the report, the privately-owned space was tracked in IPIS.

The real concern, however, is the inconsistency between IPIS and the stacking plans for City-owned space. As we note, the discrepancies identified in the report raise questions about the reliability of the information.

4. DCAS should create a checklist for reviewers to follow and require a certification or supervisory review of the entire space request process to ensure that all required steps have been followed and documented.

DCAS Response: “DCAS agrees, and since July 2014, DCAS began a process to ensure supervisory review and certification that processes and procedures are being uniformly followed. . . protocols that include checks and balances currently exists within the office space location process.”

5. DCAS should document the reasons for any decision not to follow specific protocols in the office space request process.

DCAS Response: “In accordance with objectives of the current DCAS administration, DCAS processes are under review and in July 2014, DCAS implemented the issuance of documents outlining exceptions to processes in the event a certain aspect is not needed for a specific project.”

6. DCAS should ensure that all office space vacated after agencies relocate is appropriately inventoried.

DCAS Response: “DCAS recently implemented office space assignment and relinquishment letters to track agency occupancy.”

7. DCAS should adequately document and maintain approvals for agency relocations of office space.

DCAS Response: “See response to recommendation # 4.”

8. DCAS should examine its office space management process to ensure that corrective actions are implemented for deficiencies that were identified in the DOI report and in this report.

DCAS Response: “DCAS has taken this report very seriously. In fact, each year DCAS reports to the Department of Investigation the steps taken to mitigate the risk of corruption. Under DCAS’ new administration, all policies and practices, including space management, are under review.”

Other Issues

DCAS Could Not Substantiate Figures in the Cost Analyses for the Sales of Two City-Owned Buildings

The City implemented a strategic plan to reduce City office space by 2014, including the sale of City-owned buildings and the relocation of City offices for which leases are expiring. As a result, two City-owned buildings, 49-51 Chambers Street and 346 Broadway, were sold by DCAS in 2013. We reviewed the sales process of the two buildings to determine whether the components of the cost analysis adequately supported the decision-making process.

DCAS was unable to substantiate the figures used in the cost analysis, especially for the capital expenses totaling \$36.9 million that would be avoided if the sales were executed. DCAS officials explained that the original documentation supporting DCAS’ contention that \$36.9 million in expenses would be saved by the sale could not be located because the individual who initially created the sales analysis was no longer with the agency. While DCAS provided justifications for many figures, it could not provide any supporting documents or verifiable sources for them. In addition, DCAS did not provide any supporting documentation for how the agency arrived at the estimates for space renovation costs of \$375 per square foot for 49-51 Chambers Street and \$342 per square foot for 346 Broadway. As a result, we were unable to verify that the figures relied on by DCAS in the sales analyses were reliable.

Lease Payments Were Improperly Recorded as Miscellaneous Payments

DCAS did not ensure that two lease payments initially processed as miscellaneous payments were later adjusted so that they were properly recorded as payments against lease contracts. According to Directive 24, *Agency Purchasing Procedures and Controls*, §4.1, "FMS Contract Documents must be entered and accepted in FMS before a Payment Voucher can be entered and accepted to initiate vendor payment. Payment Vouchers written against an FMS Contract Document . . . liquidate the encumbrance and record the expenditure." Also according to Directive 24, §6.3.2, one of the inappropriate uses of miscellaneous payment vouchers is the monthly rent payable on a lease.

DCAS processed two rent payments totaling \$4.2 million using a miscellaneous payment voucher and vendor code. DCAS explained these payments were part of an interim settlement and were made before the contract for this lease was registered. However, an adjusting entry was not made to appropriately record the payments against the contract once it was registered. As a result, the 1099 Misc issued to the vendor for Calendar Years 2011 and 2012 were understated by \$4.2 million (\$3.2 million in 2011 and \$1 million in 2012). Consequently, the amount reported for tax purposes for the given years may have therefore been underreported and the appropriate taxes might not have been paid.

Recommendations

9. DCAS should ensure that all figures used in future sales analyses of City buildings are substantiated and adequately supported.

DCAS Response: "Agreed."

10. DCAS should contact FISA for advice and make the necessary changes to the accounting records in FMS pertaining to the vendor in question so that a corrected 1099 can be issued.

DCAS Response: "DCAS will work with the Comptroller's Bureau of Accountancy to prevent this from happening again."

DETAILED SCOPE AND METHODOLOGY

We conducted this performance 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 findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The primary audit scope was Fiscal Years 2012 and 2013.

To gain an understanding of the roles of the units within the Asset Management Division responsible for processing office space requests and to determine whether it has adequate controls in place for managing leases and City properties, we conducted walkthroughs and observations of several units and interviewed DCAS officials and personnel involved with the space request process.

To gain an understanding of the division operations and evaluate controls in place related to the processing of new office space requests, we reviewed the Office Location Process Chart, Office Location Process Overview, Space Guidelines, Space Needs Survey, Tenant Survey, Stacking Plans, DCAS Administrative Worksheets (which are used as lease payment tracking tools), the Mayor's Office Location Process Chart, Office Location Process Overview, Space Guidelines, Space Needs Survey, Tenant Survey, Stacking Plans, DCAS Administrative Worksheets (which are used as lease payment tracking tools), Mayor's Office Vacant Desk Survey Data Results, Mayor's Office of Operations report *Maximizing Efficiency in NYC Government: A Plan to Consolidate and Modernize Back Office Operations*, Lease Administration Unit operation manual, and relevant documents from DCAS' website.

To further gain an understanding of relevant policies, procedures, laws, and regulations related to DCAS management of City properties, we reviewed and used as criteria: NYS Real Property Law Article 9-B: Condominium Act, New York City Charter, Chapter 8, §195, *Acquisitions of Office Space*, DCAS' Agency Guide to the Office Location Process, the Mayor's Office of Operations report, and other relevant DCAS procedures. We also reviewed prior audit reports issued by the Office of the New York City Comptroller relevant to the audit objectives and a January 1989 Department of Investigation Report, *An Analysis of the Corruption Risks in the Management and Control Systems Within the Department of General Services, Bureaus of Leasing and Design in Leasing Private Space For City Use*. In addition, we reviewed information on IPIS.

DCAS provided us with a list of 52 City-owned buildings that it managed as of July 9, 2013. To assess the reliability of this listing, we compared the buildings on the list with DCAS' Tenant Surveys.⁹ In addition, to determine whether DCAS appropriately inventories all office space, we compared the Tenant Surveys to the stacking plans. We also compared the information on the stacking plans with the information in IPIS for some buildings to determine the reliability of the information.

⁹ Tenant surveys are sent to tenants of DCAS-managed buildings to obtain feedback of the DCAS-provided services in the buildings.

To determine whether the Asset Management Division complied with all procedures related to the execution of office space requests, we obtained the listing of office space requests in process and the listing of executed leases in Fiscal Years 2012 and 2013. We judgmentally selected a sample of eight of the 38 office space requests comprised of the following: the largest relocation; four relocations from buildings being sold; one relocation to a vendor that was paid with miscellaneous vouchers; and two relocations from City-owned to City-owned space. We verified whether the Asset Management Division performed and documented all the required steps from the initiation to the completion of the process. We examined the files for evidence of review of City-owned vacant office spaces in the decision making process before the decision is made to lease space. (We reviewed the files to determine whether the steps were documented; we did not determine the adequacy of the steps because it was outside of the scope of the audit.)

Furthermore, to assess the controls over the management of the leased office spaces and evaluate whether the Asset Management Division is properly accounting and paying for the leased office spaces, we examined the Administrative Worksheets and compared the information to the "Listing of Office Leases and Rental Obligations" generated from IPIS. To verify the accuracy of the lease records maintained by DCAS, we compared the information from the Administrative Worksheets to payment reports generated from FMS and Checkbook NYC for Fiscal Years 2012 and 2013. We also compared the IPIS generated screens to lease information in the Comptroller's Omnibus Automated Image Storage and Information System to verify the accuracy of the contract terms in IPIS. In addition, we reviewed the appropriateness of lease payments made to landlords after a settlement for occupancy from June 1, 2011 through February 29, 2012.

To ascertain whether DCAS correctly reported rental income paid to vendors to the Internal Revenue Service in accordance with its regulations, we reviewed Comptroller's Directive 24, *Agency Purchasing Procedures and Controls*, and Directive 29, *Vendor/Customer Maintenance and Tax Reporting Requirements*. In addition, we examined all payments made to landlords during Calendar Years 2012 and 2013. We re-computed the reportable amounts for each vendor and compared them to the 1099 amount issued in FMS.

To ensure that DCAS has implemented procedures to track vacant office spaces in City-owned buildings, we examined the Vacant Desk report and interviewed appropriate DCAS officials. We also analyzed one request related to 2 Gotham Center to ensure that all office spaces vacated after the request was executed were accounted for appropriately. In addition, we compared the vacant office space on the stacking plans with the information in IPIS to ensure that available office spaces are accounted for appropriately.

To assess whether the Asset Management Division has adequate controls over City-owned properties and maintains complete and accurate records of those properties, we verified that DCAS had records of lease agreements for organizations located in City buildings. We also determined whether the information on the leases agreed with the stacking plans. Furthermore, we examined the Condominium Declarations for each of the privately-owned spaces identified in the City-owned buildings for any discrepancies with the stacking plans and IPIS and assessed the reliability of both sources.

To assess the reliability of computer-processed data, we analyzed the computer-processed file extracted from IPIS, called "Listing of Office leases and Rental obligations" for 2012 and 2013 and compared this information to the actual lease information, the Administrative Worksheets, and FMS.

In addition, we requested and reviewed the sales analyses created by DCAS for the sales of 49-51 Chambers Street and 346 Broadway. We met with DCAS officials to get an understanding of the information contained in the sales analyses and we requested back-up documentation to support some of the figures in them.

The results of the above tests, while not projected to their respective populations, provides a reasonable basis for us to assess the adequacy of DCAS' controls over the management of City office space.

Office Location Process Steps

<u>STEPS IN PROCESS</u>	<u>DESCRIPTION OF STEPS</u>
Step 1 - Agency requests new space:	Agency submits a space request form.
Step 2 - DCAS and OMB conceptual approval and DCAS Review:	DCAS and OMB conceptually approve the project and DCAS reviews the availability of City-owned office space.
Step 3 - Program and space requirement determined:	The Agency reviews and signs off P&E analysis. OMB approves the P&E analysis.
Step 4 – Site(s) selected:	The Agency approves a site(s) for DCAS to pursue (including performing a market analysis).
Step 5 - Business terms negotiated:	The Lease Negotiator then negotiates business terms of the lease with the landlord.
Step 6 - Preliminary floor plans prepared:	Preliminary floor plan and cost estimate prepared.
Step 7 - Land use approval process:	Notice of Intent to Acquire approved.
Step 8 - Approval of lease terms at an interagency committee:	The Acquisitions Review Committee (ARC) ARC approval of business terms.
Step 9 – Negotiate lease document:	Lease document finalized and landlord signs lease.
Step 10 - Public hearing for approval of the terms of the lease:	Lease terms approved at public hearing and lease executed by DCAS.
Step 11 - Final plans prepared:	Final plans approved.
Step 12 - Bidding and Construction:	Bidding and construction. Construction complete and Agency moves.
Step 13 - Lease registration:	Upon Substantial Completion of the work, the Agency submits the lease and an Advice of Award to DCAS. Rent payments begin.



Stacey Cumberbatch
Commissioner

March 19, 2015

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BY MAIL AND E-MAIL

Ms. Marjorie Landa
Deputy Comptroller for Audits
Office of the New York City Comptroller
1 Centre Street, Room 1100
New York, NY 10007

RE: The New York City Comptroller's Draft Audit Report on the Department of Citywide Administrative Services Management of City Office Space (MD-13-113A)

Dear Ms. Landa:

Thank you for the opportunity to comment on the aforementioned Draft Audit Report ("Report") on your audit of the Department of Citywide Administrative Services' Management of City Office Space. DCAS made good faith efforts to bring clarity to the auditors about a complex process. However, the auditor's findings and conclusions are based on flawed methodologies, unsubstantiated claims, and a lack of understanding of standard real estate terms and definitions. Consequently, DCAS cannot agree with most of the findings of this Audit Report.

Nonetheless, DCAS agrees with certain recommendations listed in the Report as detailed in our response. While the deficiencies noted by the auditors occurred during prior administrations of the Comptroller, DCAS and the City, DCAS's new administration has already implemented new policies and procedures regarding office space management, and will continue to review them for their effectiveness.

Attached please find our response, which includes an Executive Summary as well as detailed comments on each section of the Report.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stacey Cumberbatch".

Stacey Cumberbatch

Attachment

C: Sally J. Renfro, Chief of Staff
Ricardo E. Morales, Deputy Commissioner
Karen S. Cohen, Director

The Department of Citywide Administrative Services' Response
to the Comptroller's Office Draft Audit Report on the Management of City Office Space (MD 13-113A)

Executive Summary

Audit Findings, Conclusions and Recommendations

This Performance Audit began in May 2013 and is only concluding at this time. It has spanned all or parts of three fiscal years, and a change of City Administration. During this period, the auditors have requested and received a great deal of information, of which only a fraction of the matters reviewed were reflected in these audit findings. DCAS made good faith efforts to bring clarity to the auditors about a complex process, up to and including at the Exit Conference. However, the auditors' findings and conclusions are based on flawed methodologies and unsubstantiated claims. Consequently, DCAS cannot agree with most of the findings of this Audit Report (Report).

While the deficiencies noted by the auditors occurred during prior administrations of the Comptroller, DCAS and the City, DCAS's new administration has already implemented new policies and procedures regarding office space management, and will continue to review them for their effectiveness. Certain recommendations made by the auditors fall into this category.

In several instances, this Report strays from the stated audit objective. Although the objective of the audit was limited to the management of City office space by DCAS, the auditors included leased, non-office (including courts and warehouses), and private retail condominium spaces as part of the focus of this Report. Data and events that took place either beyond the stated scope period (FY 2012 and FY 2013) or prior to the stated scope period were reported as findings as well. The use of non-relevant data calls into question the results of the auditors' analyses. This has resulted in a Report that employs methodologies that are not clearly tied to the audit objective, findings based on data not related to the audit objective and makes conclusions that are either unsubstantiated or unrelated to the "management of City office space."¹

Detailed responses and reactions to the Report's various summaries, findings and recommendations are outlined below in the order in which they are presented.

Background

The auditors failed to gain an understanding of the environment in which DCAS operates.² DCAS is responsible for providing City agencies with certain resources and support. However, this Agency does not control the budgets, operations or personnel decisions of other agencies. The leasing, utilization, maintenance, operation, and tracking of utilization of office spaces occupied throughout the City is not a unilateral undertaking. In addition to DCAS, other City agencies must be heavily involved in the office space process, including allocation of space with regard to the particular new needs of agencies that

¹ See Generally Acceptable Government Auditing Standards ("GAGAS" aka the "Yellow Book"), *Field Work Standards for Performance Audits*, Section 6.56, "Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions." And, Section 6.57, which states in pertinent part, "...Appropriateness is the measure of the quality of evidence that encompasses its relevance, validity, and reliability in providing support for findings and conclusions related to the audit objectives...Sufficiency is a measure of the quantity of evidence used to support the findings and conclusions related to the audit objectives..."

² See GAGAS, General Standards, Section 3.69, "The staff assigned to perform the audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS." And, Section 3.72, which states in part, "The staff assigned to conduct an audit in accordance with GAGAS should collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that audit...b) general knowledge of the environment in which the audited entity operates and the subject matter..."

The Department of Citywide Administrative Services' Response
to the Comptroller's Office Draft Audit Report on the Management of City Office Space (MD 13-113A)

evolve over time, as they always do. The auditors' lack of understanding of not only DCAS' core mission, but the interdependencies between DCAS and sister agencies, provides an incomplete basis for many of the conclusions drawn with regard to this audit.

DCAS provided the auditors with a list of 13 suggested guidelines that were produced for informational purposes for agencies that seek new leased office space, to give agencies an overall understanding of the process and what might be required of them. While the auditors reference these suggested guidelines often within the background of the Report and throughout, they mistakenly and interchangeably refer to these guidelines as "required protocols" that "must be followed when City agencies request office space." DCAS has both "protocols" and "guidelines" for the office space request process. The required protocols, which are discussed in detail below, are scrupulously adhered to; however, the guidelines may or may not apply to a specific situation.

During the scope period of this audit, DCAS managed 53 City-owned buildings and 2 privately-owned and leased buildings, totaling 55 buildings, including office, court and non-office functions. This core information was incorrectly reported by the auditors.

On a separate matter, the auditors incorrectly assert that the Integrated Property Information System (IPIS) tracks only gross square footage, which according to them, is generally equivalent to rentable space. Although DCAS provided the auditors with standard industry definitions for gross, carpetable, and rentable square footage measurements, the auditors did not take note of these differences and incorrectly concluded that "gross square footage...is generally equivalent to rentable space." We had noted that IPIS also collects information from other City databases (Department of Finance and Department of City Planning, for example), and captures the rentable square footage of City leases.

Objective

The Report states that, "[t]he objective of this audit was to determine whether DCAS adequately accounts for and manages the City's inventory of City-managed office space." The Report is inconsistent with this stated objective. Privately-owned, warehouse, court and leased space would therefore not be within the scope of the Audit as defined. This has resulted in a Report that employs methodologies that are not clearly tied to the Audit objective with findings and conclusions that are extraneous.

Scope and Methodology

The auditors reference the scope periods of FY 2012 and FY 2013. However, there are references and findings based on matters that took place prior to or after the identified audit scope period.

Findings and Conclusions

The findings and conclusions are conjectures based on suppositions, with little empirical data or evidence to support them. Audit findings need to be supported with evidence that is relevant, valid, reliable and sufficient to support the findings made and conclusions drawn. For instance, there was no evidence provided by the auditors to show that the City would "incur unnecessary and increased costs" as a result of DCAS' inventory tracking.

All City-owned and City-leased properties are accounted for in DCAS records, within IPIS. This is contrary to the auditors' statements regarding a lack of a "reliable computer system or a tracking tool to record necessary information."

Weaknesses in DCAS's Management of City Office Space

DCAS Does not Have an Accurate Inventory Listing of Available Office Space

The Report maintains that, "DCAS does not maintain an accurate list of available office space, which hinders the agency's efforts to properly manage the City's office space inventory." These are conclusory assumptions that are speculative in nature and not substantiated by empirical evidence.

With regard to the sample of 8 of 38 office space requests reviewed by the auditors, the Scope and Methodology statement does not adequately describe the sample design. Being that this sample is the basis for a finding "Protocols for Evaluating Space Were Not Followed" and 2 related recommendations, the auditors should detail the sampling methodologies in sufficient detail. Also, the auditors do not present sufficient and appropriate evidence to support their findings and conclusions in relation the audit objectives.³

As previously stated, all City-owned and City-leased properties are accounted for in DCAS records, within IPIS, which is contrary to the auditors' statements regarding a lack of a "reliable computer system or a tracking tool to record necessary information." DCAS uses additional resources, outside of IPIS and the stacking plans for inventory information, including leases and floor plans. It is important to note that stacking plans cannot be compared to data in IPIS. Stacking plans are an internal tool used for planning purposes, are working, fluid, organic documents, and are prepared for City-owned properties, not leased properties. These two tools, and the information contained within them, serve different purposes. However, the auditors improperly insist that two different sources of data that are utilized for two different purposes must be identical, without citing any criteria for that determination. They erroneously compare these two data elements and draw invalid and unwarranted conclusions.

The creation of Table I and Table II for the purposes of comparison is misleading since it compares non-similar data points. DCAS agrees that IPIS and the stacking plans should be updated regularly, as they already are, but it is important to reiterate that they will rarely contain identical data.

Within Table I, private retail condominium spaces are included. Yet these spaces are not office space, and are neither owned, nor leased by the City, thus taking them outside the scope of the audit, and not subject to tracking in IPIS. Table II contains much information that is out of scope, including a warehouse at 66-26 Metropolitan Avenue, and multiple court spaces within 851 Grand Concourse, 265 East 161st Street, 100 Centre Street, 125-01 Queens Boulevard, 360 Adams Street, 330 Jay Street, 215 East 161 Street, 88-11 Sutphin Boulevard, 60 Lafayette Street, 60 Centre Street, and 151-20 Jamaica Avenue.

DCAS clarified that IPIS tracks only City-owned and City-leased spaces, yet the auditors fault DCAS for not tracking privately-owned retail condominiums. Furthermore, condominium declarations are subject to New York State Attorney General oversight and regulation. Condominium declarations and related materials can intentionally specify multiple square footage measurements for different purposes.

As previously discussed, the audit strays from the objective and clearly uses non-office space data (inappropriate evidence) to evaluate the management of office space.

³ See GAGAS, Reporting Standards for Performance Audits, Section 7.13, which states in part, "...Auditors should identify significant assumptions made in conducting the audit...and, when sampling significantly supports the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population." And, Section 7.14, which states in part, "... auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives..."

The Department of Citywide Administrative Services' Response
to the Comptroller's Office Draft Audit Report on the Management of City Office Space (MD 13-113A)

The auditors state that IPIS "does not have the capability to generate reports," despite the fact that, on January 30, 2015, DCAS provided the auditors with a report from IPIS showing vacant spaces within DCAS buildings. In addition, in the Detailed Scope and Methodology section of this Report, the auditors note reviewing reports generated from IPIS, including the Listing of Office Leases and Rental Obligations.

The auditors claim that DCAS stated there was no available vacant office space and that any vacant space was already programmed. The auditors make the assumption that this statement means a future tenant has been identified. However, as noted in the vacant space report referenced above, space that is vacant can be either already programmed or not suitable for present agency program needs.

Protocols for Evaluating Space Requests Were Not Consistently Followed

The auditors assert that since they didn't find evidence that certain "required" steps were followed, that DCAS could be entering into leases that are not in the City's best interests. This is an unsubstantiated conclusion. DCAS never stated that those certain steps were required or must be followed, and there is no evidence concerning any lease that was not in the City's best interest.

As previously stated, DCAS has both "protocols" and "guidelines" for the office space request process. The required protocols, which are discussed in detail below, are scrupulously adhered to; however, the guidelines may or may not apply to a specific situation.

DCAS presented the auditors with a list of 13 informational guidelines produced for agencies that seek new leased office space to give them an overall understanding of the process and what might be required of them. When the auditors reference these guidelines within this Section, they mistakenly and interchangeably refer to these guidelines as "required protocols" that "must be followed when City agencies request office space." This is repeated throughout the Report. These steps are solely guidelines for agencies to make them familiar with the office leasing process. The auditors would like to see that identical "guidelines" are rigidly utilized in every single office leasing transaction. That approach belies the essence of real estate transactions: every site, every related deal, and individual agency requirements can be unique, and each site presents considerations that drive actions, procedures, and consequences.

DCAS does have protocols for agency office space location, which includes a variety of checks and balances that were not considered by the auditors. In reference to Table III, they include:

- Agency Needs Tracking System (ANTS).
 - New space requests and renewal requests are reviewed by the ANTS Committee, which consists of Office of Management and Budget (OMB) staff and DCAS Asset Management staff. Items are either approved at the meeting or placed on the calendar for the following month's meeting. City-owned space is considered for all new projects reviewed by the ANTS Committee.
- Acquisitions Review Committee (ARC).
 - Once the business terms of a new lease or a renewal lease have been agreed to by Asset Management and the landlord, the proposed leasing project is reviewed by the ARC Committee. The ARC Committee consists of staff from OMB, the Law Department, DCAS General Counsel's Office and Asset Management. Items are either approved or denied at this meeting. New leases

or renewal leases that are approved are then assigned to DCAS' General Counsel's Office to begin drafting the lease.

- Land Use Approval.
 - The Department of City Planning provides approval for all new leases and for many renewal leases. The public has an opportunity to speak at City Planning Commission Public Meetings. The approval process runs concurrently with the above approvals.
- Mayoral Approval.
 - The Mayor's Office of Contract Services provides approval to the business terms of a lease or acquisition at the Real Property Acquisitions and Dispositions Public Hearing (City Charter Section 824 Hearing). The public has an opportunity to speak at the Mayoral Hearing.
- Internal Reviews.
 - After Mayoral Approval is received, DCAS' General Counsel's Office packages the proposed lease and approvals and forwards it to Asset Management. These documents are routed for review at a supervisory level, and a final review is conducted by the Deputy Chief Asset Management Officer before it is presented for execution to the Deputy Commissioner.
- Appraisals.
 - All new leases and renewal leases using the services of our tenant representatives are appraised to ensure that the best real estate deal possible was achieved. In cases where the appraisal indicates the agreed to real estate deal was too expensive, a portion of the tenant representative's expected commission goes towards paying rent instead.

Since certain guidelines were not always required, as conceded by the auditors, for projects such as 2 Gotham Plaza, they should not assume that all steps are required for all other projects. Furthermore, it is not possible for DCAS to determine whether any oversights were made in this process because the auditors did not identify the samples referenced in their table.

Inadequate Controls to Ensure that Unnecessary Costs are not Being Incurred

The first sentence in this Section of the Report states, "because DCAS does not properly track or account for vacated office space, there is an increased risk that the City may incur needless additional costs for leasing space that is then not fully utilized." This is a conclusory statement that misinterprets data and then assumes risks that are unsupported. As previously referenced, on January 30, 2015, DCAS provided the auditors with a report from iPIS showing vacant spaces within DCAS buildings.

Specific to 2 Gotham Plaza, the NYC Department of Mental Health and Hygiene (DoHMH) vacated space at 125 Worth Street in order to renovate that space and then move back in. This space was vacated temporarily, and was not intended to be relinquished by DoHMH. The auditors state that "2 Gotham is not being fully used" and that there is "vacant space at 2 Gotham." It is not clear how the auditors arrived at that conclusion.

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In this section of the Report, the auditors criticize DCAS not having an in-depth knowledge and documentation of the deployment of DoHMH personnel and their functions. The auditors fail to understand that each agency is responsible for its own programs, and manages its own personnel and where they are located.

Deficiencies Identified in This Audit Have Been Previously Identified As Corruption Risks

The Report makes a reference to a 1989 Department of Investigation (DOI) report. DCAS has taken this DOI report very seriously. In fact, each year DCAS reports to DOI the steps taken to mitigate the risk of corruption.

Other Issues

DCAS Could Not Substantiate Figures in the Cost Analyses for the Sales of Two City-owned Buildings

The sale of these two buildings took place after the audit scope period, and the analysis conducted to justify the sales was conducted prior to the audit scope period. However, all required approvals, including approval of the business terms of the sales pursuant to Section 384(b)(4) of the New York City Charter (Borough Board approval) were obtained.

Lease Payments Were Inappropriately Coded As Miscellaneous Payments

These were settlements of rent-related claims that were authorized and reviewed by the Comptroller's Office. Although DCAS believes that these were appropriate uses of Miscellaneous vouchers, we will work with the Comptroller's Office to ensure these types of actions are processed properly in the future.

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Recommendations

- 1. RECOMMENDATION: DCAS should ensure that IPIS and the stacking plans are regularly reconciled and updated so that an accurate and reliable inventory listing of office space and vacant space is established and maintained.**
 - a. DCAS agrees that IPIS and the stacking plans should be updated regularly, as they always are, but, once again, it is important to point out that they will rarely contain identical data. They are used for different purposes and can contain different data at different times.
 - b. IPIS contains records of the Inventory of City-owned and City-leased properties, which is accurate and updated every two years pursuant to Section 204 of the New York City Charter.
 - i. Leased office information is updated on an ongoing basis, upon lease executions.
 - c. Stacking plans cannot be compared to the data in IPIS.
 - i. Stacking plans are an Internal tool used for planning purposes and are working documents, which are subject to change based on current planning needs; whereas, IPIS is less fluid.
 1. They are prepared for City-owned properties, not leased properties.
 - d. While DCAS considers programmatic needs, it also assesses the functionality of the space being requested in relation to the operational need of the agency.
- 2. RECOMMENDATION: DCAS should ensure that information entered in IPIS and on the stacking plans such as square footage is accurate.**
 - a. See response to Recommendation #1.
- 3. RECOMMENDATION: DCAS should correct the discrepancies identified to ensure that information on the privately-owned space and City-owned space is accurate.**
 - a. See response to Recommendation #1.
 - b. IPIS is not used to track information on privately owned sites that are not leased by the City.
 - i. For example, privately owned retail condominium units are outside of the scope of this audit.
- 4. RECOMMENDATION: DCAS should create a checklist for reviewers to follow and require a certification or supervisory review of the entire space request process to ensure that all required steps have been followed and documented.**
 - a. DCAS agrees, and since July 2014, DCAS began a process to ensure supervisory review and certification that processes and procedures are being uniformly followed.
 - b. As previously stated in DCAS' response to this audit, protocols that include checks and balances currently exists within the office space location process:
 - i. Agency Needs Tracking System (ANTS).
 1. New space requests and renewal requests are reviewed by the ANTS Committee, which consists of OMB staff and DCAS Asset Management staff. Items are either approved at the meeting or placed on the calendar for the following month's meeting. City-owned space is considered for all new projects reviewed by the ANTS Committee.
 - ii. Acquisitions Review Committee (ARC).

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1. Once the business terms of a new lease or a renewal lease have been agreed to by Asset Management and the landlord, the proposed leasing project is reviewed by the ARC Committee. The ARC Committee consists of staff from OMB, the Law Department, DCAS General Counsel's Office and Asset Management. Items are either approved or denied at this meeting. New leases or renewal leases that are approved are then assigned to DCAS' General Counsel's Office to begin drafting the lease.
- iii. Land Use Approval.
 1. The Department of City Planning provides approval for all new leases and for many renewal leases. The public has an opportunity to speak at City Planning Commission Public Meetings. The approval process runs concurrently with the above approvals.
- iv. Mayoral Approval.
 1. The Mayor's Office of Contract Services provides approval to the business terms of a lease or acquisition at the Real Property Acquisitions and Dispositions Public Hearing (City Charter Section 824 Hearing). The public has an opportunity to speak at the Mayoral Hearing.
- v. Internal Reviews.
 1. After Mayoral Approval is received, DCAS' General Counsel's Office packages the proposed lease and approvals and forwards it to Asset Management. These documents are routed for review at a supervisory level, and a final review is conducted by the Deputy Chief Asset Management Officer before it is presented for execution to the Deputy Commissioner.
- vi. Appraisals.
 1. All new leases and renewal leases using the services of our tenant representatives are appraised to ensure that the best real estate deal possible was achieved. In cases where the appraisal indicates the agreed to real estate deal was too expensive, a portion of the tenant representative's expected commission goes towards paying rent instead.
5. **RECOMMENDATION: DCAS should document the reasons for any decision not to follow specific protocols in the office space request process.**
 - a. In accordance with objectives of the current DCAS administration, DCAS processes are under review and in July 2014, DCAS implemented the issuance of documents outlining exceptions to processes in the event a certain aspect is not needed for a specific project.
6. **RECOMMENDATION: DCAS should ensure that all office space vacated after agencies relocate is appropriately inventoried.**
 - a. DCAS recently implemented office space assignment and relinquishment letters to track agency occupancy.

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7. **RECOMMENDATION: DCAS should adequately document and maintain approvals for agency relocations of office space.**
 - a. See response to Recommendation # 4.

8. **RECOMMENDATION: DCAS should examine its office space management process to ensure that corrective actions are implemented for deficiencies that were identified in the DOI report and in this report.**
 - a. DCAS has taken this report very seriously. In fact, each year DCAS reports to the Department of Investigation the steps taken to mitigate the risk of corruption.
 - b. Under DCAS' new administration, all policies and practices, including space management, are under review.

9. **RECOMMENDATION: DCAS should ensure that all figures used in future sales analyses of City buildings are substantiated and adequately reported.**
 - a. Agreed.

10. **RECOMMENDATION: DCAS should contact FISA for advice and make the necessary changes to the accounting records in FMS pertaining to the vendor in question so that a corrected 1099 can be issued.**
 - a. DCAS will work with the Comptroller's Bureau of Accountancy to prevent this from happening again.

DCAS Closing Statement

Independently of this audit, DCAS, under its new administration, has taken the affirmative initiative to review existing policies and procedures and implement new measures. These actions have been and will continue to be taken to ensure DCAS continues to provide agencies with the support and resources necessary to provide the best possible services to the public.