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COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

September 9, 2014

Ms. RoAnn M. Destito  
Commissioner  
Office of General Services  
Corning Tower, 41st Floor  
Empire State Plaza  
Albany, NY 12242

Re: ReStacking Occupancy Initiative  
Report 2013-S-68

Dear Commissioner Destito:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we audited selected aspects of the ReStacking Occupancy Initiative at the Office of General Services (OGS). Our audit covered the period April 1, 2011 to June 19, 2014.

**Background**

The State's Savings and Government Efficiency (SAGE) Commission commenced work in January 2011 in response to the Governor's 2010 directive to streamline State government. One cost-saving initiative the Commission targeted was to decrease the amount of leased property occupied by State agencies. The Commission projected this effort could initially save the State more than \$21 million, with further savings achievable as more leases expire on remaining excess office space. Subsequently, the State's 2013-2014 Budget included an expectation for \$5 million in such additional savings, for a total of about \$26 million in savings expected by March 31, 2014.

To achieve this cost-savings goal, the Division of Budget (DOB) entered into contracts with a private firm, United Group Limited Equis Operations (UGL), to establish a strategic approach focusing primarily on managing, occupying, and procuring agency office space. This effort was commonly referred to as the "ReStacking" process. DOB also commissioned OGS to implement the ReStacking.

In 2011, OGS created the NYS Real Estate Center (Center) to oversee all real estate operations. The Center consists of several groups in OGS' Real Estate Planning and Development Unit that work within OGS, and with other agencies, to manage real estate needs. Previously,

individual agencies had often managed their own real estate rental efforts with OGS assistance, but without coordination with other agencies that may have had unoccupied space available. According to OGS officials, the Center adopted UGL's approach and required that existing space be considered before any expiring lease is renewed or replaced. This approach was expected to generate \$9 million of annual savings toward the goal established by the SAGE Commission.

The main focus of the Center's ReStacking Occupancy Initiative was to consolidate the use of existing space throughout the current portfolio of State-owned and leased space. The first phase of this process created large sections of vacant space that, in turn, could be used to house agencies and employees currently occupying leased space. As recommended by UGL, the Center concentrated its efforts on the Albany and New York City regions, largely because the amount of leased office space at these locations represented the greatest opportunity for savings. OGS completed the initial stage of the ReStacking in September 2013. As a result, some agencies have consolidated operations within their current locations, while others moved from one location to another. For the remaining areas of the State, specifically the Western region, the Center plans to move agencies into space in State-owned buildings as private leases expire.

UGL developed a savings tracker spreadsheet that OGS used to track the amount of cost savings associated with each move. Reported cost savings for three fiscal years ended March 31, 2014 totaled \$51.2 million, including \$6.4 million for fiscal 2011-12, \$15.8 million for 2012-13, and \$29.0 million for 2013-14.

### **Results of Audit**

We tested the \$51.2 million in accumulated savings reported by OGS and found the amounts were properly calculated based on reasonable, consistently applied assumptions. These figures represent the gross savings achieved by consolidating and moving agency operations to less expensive space and are not adjusted for any direct costs incurred to actually effect the moves. OGS tracked these other costs separately on an agency-by-agency basis, but did not accumulate any statewide impacts as part of a net savings calculation.

At the start of our audit, these costs totaled about \$16.9 million. This figure was based in part on cost reports submitted to OGS by the individual agencies seeking reimbursement. Our tests of these expenses showed they were adequately documented and that they represent valid costs that are appropriately related to the agency relocations. These costs include not only direct moving expenses, but also other related costs ranging from waste disposal, chair cleaning, and carpet replacement to new cabling installations and elevator repairs.

As of June 12, 2014, agencies had reported another \$1.2 million in prior year move-related costs to OGS, raising the accumulated total to about \$18.1 million. Although agencies were still able to report additional costs they identified until the end of June, our audit found no indication that any significant amount of costs remain outstanding. As a result, even after considering the impact of these additional costs, we concluded that OGS' implementation of the ReStacking initiative was successful in achieving - and in fact exceeding - the \$26 million savings estimate established by the SAGE commission and DOB, as shown in the following table:

In monitoring and overseeing this initiative, we found OGS placed greater emphasis on identifying and calculating statewide occupancy savings than it did on tracking or communicating the associated costs incurred in the move efforts. In large part, this is to be expected, since many of the savings can be expected to be recurring, while most of the agency costs are likely one-time occurrences. Still, we believe public disclosure and transparency would be enhanced if the State were to put procedures in place to periodically track and report on the net results of the program.

<b>Office of General Services                      ReStacking Occupancy Initiative                      Cost-Savings Achievements                      Three Years Ended March 31, 2014</b>	
Total Occupancy Cost Savings Achieved	\$51.2 million
Less: Moving Expenses and Other Direct Costs	<u>\$18.1 million</u>
<b>Net Program Savings</b>	<b><u>\$33.1 million</u></b>

**Recommendation**

1. Develop a method for regularly monitoring and updating actual savings and expenses related to agency moves on a statewide basis.

**Audit Scope, Objectives, and Methodology**

We audited the Office of General Services’ ReStacking Occupancy Initiative for the period April 1, 2011 to June 19, 2014. The objectives of our audit were to determine whether the ReStacking Occupancy Initiative, as executed by the Office of General Services, has produced savings and to evaluate those savings against program expectations.

To accomplish our objectives, we analyzed lease cost and savings calculations, as well as moving expenses. As a result of this analysis, we verified lease savings calculations for all renegotiated leases for the period ending December 31, 2013. We further obtained vouchers and receipts for a sample of reimbursements made to the agencies by OGS and verified the documentation supported the expenses reimbursed. We also reviewed a sample of the expenses paid directly by OGS through the Statewide Financial System. In addition, we interviewed OGS, DOB, and UGL officials to learn more about the processes in place at the Real Estate Center.

As a matter of disclosure, we note that as an occupant of leased spaced, the Office of the State Comptroller participated in the ReStacking Occupancy Initiative in New York City, resulting in the relocation of some staff to new space. This partnership with OGS allowed OSC to reduce the cost of its overall lease payments and may be considered an impairment to independence. Except for the effect, if any, of OSC’s aforementioned participation in the program, we conducted our 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.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

### **Reporting Requirements**

A draft copy of this report was provided to OGS officials for their review and comment. OGS officials generally concurred with our recommendation and their comments are included at the end of this report.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of General Services shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendation contained herein, and where the recommendation was not implemented, the reasons why.

Major contributors to this report include Walter Irving, Nadine Morrell, Kathleen Garceau, Michelle Krill, Stephon Pereyra, and Marzie McCoy.

We wish to thank the management and staff of the Office of General Services for their courtesy and cooperation extended to our auditors during this audit.

Sincerely,

John F. Buyce, CPA, CIA, CGFM  
Audit Director

cc: Robert Curtin, Office of General Services

# Agency Comments

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**ANDREW M. CUOMO**  
GOVERNOR

STATE OF NEW YORK  
**EXECUTIVE DEPARTMENT**  
**OFFICE OF GENERAL SERVICES**  
MAYOR ERASTUS CORNING 2ND TOWER  
THE GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
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**ROANN M. DESTITO**  
COMMISSIONER

September 2, 2014

Mr. John Buyce  
Audit Director  
110 State Street  
Albany, NY 12236

Dear Mr. Buyce,

I am pleased that the audit confirmed the success of the Office of General Services' implementation of the initiative to consolidate work space in state owned and leased locations, the Restacking Initiative. This initiative is part the Governor's vision of a more efficient and less costly government.

OGS would like to thank the Office of the State Comptroller (OSC) auditors for their efforts and diligence on this audit to enable OGS to provide a more complete understanding of the process of consolidating locations occupied by state workers, and demonstrating how we tracked the savings and expenses which we know required great effort by OSC. It required several rounds of explaining how we handled different approaches based on different circumstances of the move and who paid for the expenses incurred. We are pleased that in the end, the audit found that our efforts have and will continue to save the state's taxpayers money as the state leases less space and better utilize the space we own and rent.

OGS will continue its efforts to track savings and expenses as we continue our efforts to continually improve space utilization as leases end and changes in the workforce occur. We have used lessons learned in the audit process to help improve the way we record and document savings and expense information and these changes will be employed in future projects.

Sincerely,

  
RoAnn M. Destito

