



Legislative Audit Division

Performance Audit Summary

Agency Facilities Management

November 2000

Introduction

A limited scope performance audit of agency facilities management activities and their relation to the Long Range Building Program (LRBP) was initiated as a result of the performance audit conducted by the Legislative Audit Division of University Facilities Management (00P-03). The scope of the University Facilities Management audit included examination of how university units identify and address building maintenance needs. To appropriately evaluate the university system's methodologies, it was necessary to gain a perspective of how other state agencies identify and address maintenance needs and develop LRBP requests.

Facilities Maintenance

Certain maintenance activities are required to keep a building in usable condition. These include everything from janitorial services to repair/replacement of mechanical systems such as HVAC (heating, ventilation, and air conditioning) systems, to major renovation/alteration of facilities, to new construction.

According to Department of Administration data, the state owns almost 19 million square feet of various types of facilities throughout Montana. This includes almost 12 million square feet within the Montana University System. Maintenance of facilities is typically the responsibility of the building occupant.

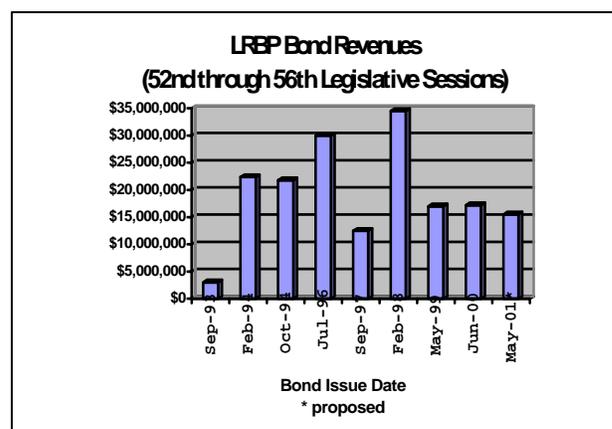
Funding for Maintenance

The costs associated with maintenance of state-owned buildings are the responsibility of the agency and/or program in charge of operations conducted at each facility. An agency normally obtains funding levels for maintenance through the Executive Planning Process (EPP). The EPP is the standard budget establishment process. Proposed budgets are submitted to the Governor's Office, then to the legislature for appropriation. Maintenance items are normally budgeted under operating expenses.

Long Range Building Program (LRBP)

The LRBP was established to provide a single, comprehensive, and prioritized plan for allocating resources to build and maintain state buildings. The LRBP is funded through a combination of cash and bond

revenues. Cash is derived from portions of the cigarette tax, coal severance tax, and interest income. Bond proceeds are derived from issuance of general obligation bonds. In addition, agencies use various other types of revenues to fund capital improvements including state and federal special revenue funds and other funds such as private donations.



There are no specific statutes and/or administrative rules related to general, ongoing maintenance of state buildings. However, section 17-7-206, MCA, provides a mechanism for the legislature to include an amount for maintenance as part of a major capital project appropriation. According to this statute, the legislature may allocate up to 2 percent of the appropriated cost of construction of a new building for maintenance. The legislature has not allocated any funding for maintenance under this statute.

How Do State Agencies Maintain Facilities?

Our first specific objective was to find out how state agencies identify and address facilities maintenance needs. We noted variances in the formality and type of maintenance activities among the state agencies we reviewed. There are variations in work order systems, formality of preventive maintenance schedules, frequency of inspections, use of technology, etc. While most agencies we reviewed conduct varying amounts of preventive maintenance activities, there is no consistency from one agency to another, or from one facility to another. Preventive maintenance preserves property assets and helps ensure facilities support a program's mission in the most cost-effective way possible. In order to accomplish this, state agencies need some guidelines and minimum standards for facilities maintenance.

We recommend the Department of Administration, in conjunction with state agency facilities managers and maintenance personnel, develop policy that addresses this need for state-owned facilities.

Do Agencies Formally Evaluate Facility Conditions

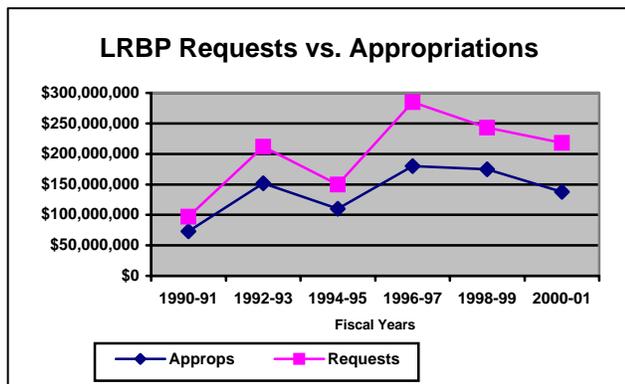
We wanted to determine if state agencies use a formal method of assessing the condition of facilities to identify building deficiencies. While maintenance personnel and facilities managers appear to be aware of the condition of facilities, the process for identifying deferred maintenance or building deficiencies varies between facilities and agencies. Not all agencies use a facilities inventory process to assess building conditions. Those who are using an inventory process primarily use it to help develop LRBP requests. However, this data gets minimal use by Architecture and Engineering (A&E) Division personnel in determining statewide priorities.

Use of a standardized assessment methodology has been suggested but not mandated by the legislature. While the Board of Regents adopted the Facilities Condition Inventory methodology for evaluating the condition of buildings in the Montana University System, implementation of this methodology has not occurred statewide. In addition, A&E has not required facilities condition data as part of the LRBP process.

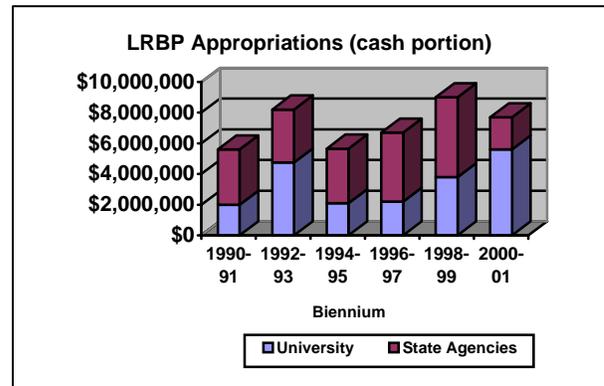
We recommend the legislature mandate a standardized, statewide facilities condition assessment process, and the Department of Administration develop and conduct the program.

LRBP Actions Over the Last Decade

Another audit objective was to compile information on the LRBP over the past decade to help assess maintenance needs and trends. The LRBP process has not changed significantly since its creation in 1963. Agency use of the LRBP varies including the types of requests made for capital improvements. In the past decade, requests for funding have always exceeded appropriations.



Maintenance needs are usually addressed with funding from the cash portion of the LRBP, which is generated from revenues from a portion of the cigarette tax. *The cigarette tax revenue stream is declining, including decreases in the percentage allocated to the LRBP.*



Facilities Maintenance Suffers Due to Various Factors

A recent United States General Accounting Office report on the federal government's facilities maintenance program noted funding limitations, inadequate program data, and lack of a strategic approach as factors that impede the government's ability to address its maintenance needs. These same factors appear to impact Montana's maintenance of state-owned buildings. Buildings and components deteriorate and need repair and replacement; this is unavoidable. As a result, money is needed to maintain state-owned facilities.

The University Facilities Management performance audit addressed the issue of funding for deferred maintenance. Specifically, *the report recommends the legislature examine the LRBP and establish an increased and consistent funding source to address deferred maintenance liabilities.* Changes to the LRBP would impact all state agencies, not just the Montana University System. State agencies experience issues similar to those identified in the University System audit. *Thus, if the legislature implements the recommendations in the University System audit, any changes in LRBP funding sources or uses will help control deferred maintenance liabilities for all state-owned buildings.*

For a complete copy of the report (00P-18) or for further information contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>.