



# Secretary of State **Oregon Audits Division**



Department of Administrative Services

## **DAS Should Build on Recent Enhancements and Further Improve the Facility Planning Process to Better Inform Investments in State Facilities**

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# Executive Summary

## Why This Audit is Important

» Oregon state government owns over 5,000 facilities worth more than \$7 billion.

» State-owned facilities are critical to serving Oregonians and include office buildings, warehouses, detention centers, school facilities, and hospitals.

» The state of Oregon recognizes that providing and operating state government facilities is a significant capital investment in public infrastructure.

» The National Association of State Chief Administrators identified facilities portfolio planning as one of their top 10 priorities for 2019-2020.

» It is the policy of the State to plan, finance, acquire, construct, manage, and maintain state government facilities in a manner that maximizes and protects this investment.

## Department of Administrative Services

## DAS Should Build on Recent Enhancements and Further Improve the Facility Planning Process to Better Inform Investments in State Facilities

### What We Found

1. The Department of Administrative Services (DAS) has improved statewide facility data collection and reporting.
2. The facility planning process could be further improved to more effectively inform decision-makers and increase transparency for investments in state facilities. DAS can better align and document the criteria used to prioritize investments in facilities.
3. The results of the statewide facility planning process are not readily available to the Legislature or the public. Providing this information would help legislators make better informed funding decisions and enhance public accountability.
4. Oregon does not have a statewide plan for its facility portfolio. DAS has not created a plan because there is no statutory requirement to do so. However, the agency not only appears to have authority to create a statewide plan, it is in an ideal position to do so because it has both a structure in place and access to statewide facility data and agency plans. Other states have developed statewide plans for facilities.
5. Although a large amount of facility data is available, the data is not complete. Some agencies are still self-reporting their facility needs and have not gone through an independent facility condition assessment. Incomplete data makes it difficult to compare facility conditions across the state portfolio or provide data for decision-makers.

### What We Recommend

Our report includes seven recommendations to DAS intended to improve the facility planning process that is used to inform decisions-makers. These recommendations are intended to build upon current efforts to provide data to help inform decision-makers as they decide the facility needs to fund.

DAS agreed with five recommendations and declined to agree or disagree with one. The agency's response can be found at the end of the report.



## Introduction

State-owned facilities support the programs and services that state agencies deliver to Oregonians. These facilities house individuals convicted of crimes, provide classrooms for students, and provide office space for state workers, among other functions. The state of Oregon recognizes that providing and operating state government facilities is a significant capital investment in public infrastructure; it is therefore the policy of the State to plan, finance, acquire, construct, manage, and maintain state government facilities in a manner that maximizes and protects this investment.

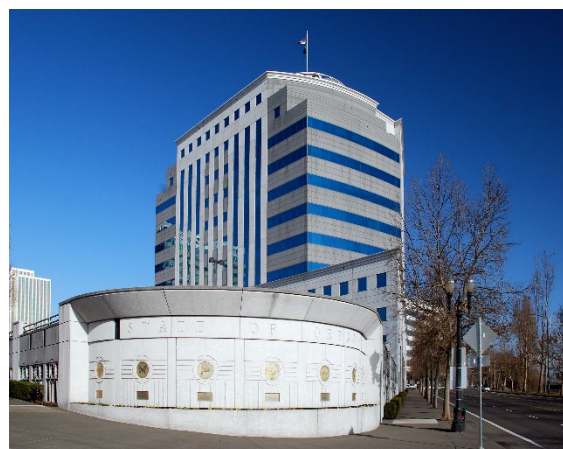
The Department of Administrative Services (DAS) is charged with administering the statewide facility planning process. The objective of this audit was to determine if the statewide facility planning process administered by DAS maximizes and protects investments in state facilities.<sup>1</sup>

### Oregon's statewide facility portfolio is worth over \$7 billion

Nineteen state agencies own over 5,000 facilities with a current replacement value over \$7 billion.<sup>2</sup> Some state-owned properties, including higher education facilities, legislative facilities such as the Capitol building, and judicial facilities such as the Supreme Court building, are not included in this facility count, as the agencies that own these facilities are not required to follow the same facility planning process as the other state agencies.



Oregon State Hospital, Salem Oregon  
Source: Oregon Health Authority Website



Portland State Office Building  
Source: Gary Halvorson, Oregon State Archives

The Department of Corrections has the largest share of the portfolio with 354 facilities worth \$2.4 billion covering 5.5 million square feet. The Oregon Department of Education, which owns the School for the Deaf, has some of the oldest facilities with an average construction year of 1957 and the Department of Public Safety Standards and Training has some of the newest facilities, with an average construction year of 2004.

### ***The state portfolio has significant deferred maintenance and capital renewal needs***

The state's facility portfolio has significant deferred maintenance and capital renewal needs, such as roof replacements and HVAC system upgrades, for example. DAS defines deferred maintenance as maintenance that was not performed when it should have been. Capital renewal

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<sup>1</sup> For the purpose of this audit, investment is defined as funding and resources to address statewide facility needs.

<sup>2</sup> Facilities include state agency-owned buildings, land, and associated infrastructure. It does not include transportation infrastructure or buildings and facilities belonging to universities or community colleges.

is the planned replacement of building systems that have or will reach the end of their useful life. It is important that facility systems are adequately maintained and replaced when necessary in order to prevent costly damage to other facility components.

Agencies, as part of the statewide facility planning process, report the maintenance and capital renewal needs of their facilities to DAS using a five-level priority system, with priority 1-3 needs representing necessary deferred maintenance and capital renewal. Based on agency reporting in 2018, there is more than \$460 million in deferred maintenance and capital renewal needs across agencies. The Department of Corrections makes up more than 40% of this total at over \$208 million. The Military Department and DAS have the second and third highest need at \$79 million and \$48 million, respectively. DAS estimates that, without additional investment, statewide needs will grow to over \$1 billion by 2026.

#### DAS Maintenance Priorities:

**Priority 1 Currently Critical:** require immediate action in order to address code and accessibility violations that affect life safety.

**Priority 2 Potentially Critical:** projects to be undertaken in the near future to maintain the integrity of a facility.

**Priority 3 Necessary – Not Yet Critical:** projects that could be undertaken in the near to mid-term to maintain the integrity of a building.

**Priority 4 Seismic and Natural Hazard Remediation:** improve seismic performance of buildings or mitigate significant flood hazards.

**Priority 5 Modernization:** alternations or replacement of facilities solely to implement new or higher standards to accommodate new functions.

In 2017, the Legislature passed Senate Bill 1067 in order to help contain and reduce future costs of state government. One provision requires the Governor's Recommended Budget to include at least 2% of the replacement value of state facilities to be spent each biennium on deferred maintenance and capital improvements of existing facilities. Based on analysis by the Legislative Fiscal Office, the 2019-21 Legislature approved over \$220 million for deferred maintenance and capital improvements, nearly 3% of the replacement value of state facilities. Addressing facility maintenance needs proactively can help contain future costs. The National Research Council estimates that each dollar invested in deferred maintenance can help reduce future facility costs by as much as four dollars.<sup>3</sup>

Figure 1 lists all of the facility-owning state agencies, including information on current replacement values, number of facilities owned by each agency, and the size of facilities in gross square feet, based on agency reporting from 2018. Appendix A provides a table of the 50 most valuable state-owned facilities with an estimate of their current condition.

**Figure 1: Nineteen state agencies own facilities worth over \$7 billion**

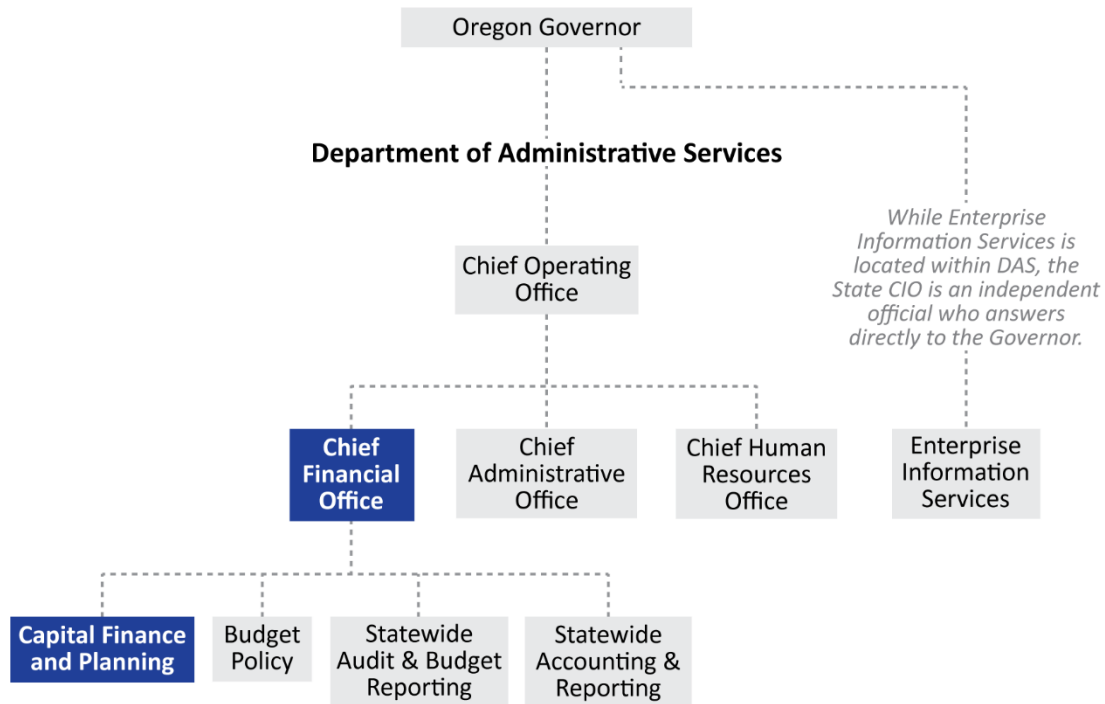
Agency	Current Replacement Value	Number of Facilities	Gross Square Feet	Total Priority 1-3 Needs
Department of Corrections	\$2,367,178,922	354	5,547,006	\$208,349,380
Department of Administrative Services	1,125,639,346	110	4,228,002	47,836,317
Oregon Military Department	1,074,757,779	441	3,413,864	79,194,050
Oregon Department of Transportation	763,732,763	1,835	3,311,435	33,437,341
Oregon Health Authority	456,472,020	50	1,131,064	5,190,000
Oregon Youth Authority	219,174,095	90	625,753	29,179,215

<sup>3</sup> The National Research Council is the principal operating agency of the National Academy of Sciences, the National Academy of Engineering, and the National Academy of Medicine with a purpose to help improve public policy, understanding, and education in matters of science, technology, and health.

Agency	Current Replacement Value	Number of Facilities	Gross Square Feet	Total Priority 1-3 Needs
Oregon Department of Forestry	213,289,759	433	851,784	25,509,549
Oregon Parks and Recreation Department	211,335,938	1,107	959,711	762,000
Oregon Department of Fish and Wildlife	174,881,032	575	2,882,186	2,650,311
Oregon Department of Veterans' Affairs	120,309,567	3	334,264	10,924,604
Department of Public Safety Standards and Training	108,393,044	23	328,024	1,011,818
Oregon Department of Education	63,713,026	18	277,095	9,748,214
Oregon Liquor Control Commission	53,554,337	2	283,714	6,746,710
Public Employees Retirement System	31,258,749	1	60,220	140,000
Department of State Lands	25,740,480	4	81,696	366,000
Oregon Employment Department	17,718,600	10	121,654	1,781,000
Oregon Aviation Department	10,731,649	31	51,889	0 <sup>4</sup>
Oregon State Police	9,743,448	2	23,614	1,421,750
Oregon Department of Agriculture	2,177,018	11	20,666	491,438
<b>Total</b>	<b>\$7,049,801,572</b>	<b>5,100</b>	<b>24,533,651</b>	<b>\$464,739,697</b>

Source: 2018 Agency Capital Projects Advisory Board Reports

## DAS is responsible for overseeing the statewide facility planning process



DAS is the state's central administrative agency that supports state government through coordination of statewide services and administrative policies. DAS is comprised of four offices. This audit focuses on the work of the Chief Financial Office (CFO). The CFO, through its Facility Planning Unit (FPU), established the statewide facility planning process to evaluate the needs

<sup>4</sup> The Oregon Aviation Department did not report any building level priority 1-3 needs in its 2018 Capital Projects Advisory Board report.

and conditions of state facilities; establish and implement guidelines and standards for acquiring, managing, and maintaining state facilities; and provide financing and budgeting strategies to allocate resources to facility needs.

Oregon has a decentralized facility planning process where each facility-owning agency is responsible for ensuring their facilities are maintained and identifying their future capital needs. Per statute, DAS is charged with managing a statewide facility planning process.<sup>5</sup> The intent of this process is to ensure the state is making rational, data-driven investment decisions and providing facilities that are as efficient and effective as possible in delivering responsive government services. This process is closely tied with the statewide budget development process and involves multiple entities and steps.

***Agencies are required to submit their facility plans to DAS and the Capital Projects Advisory Board, and may also submit plans to the Capital Planning Commission***

Throughout the year, agencies, as required by statute and administrative rules, maintain their facilities and update their facility data in a database based on improvements they make. They are also required to establish and implement long-range facility maintenance and management plans.

As part of the facility planning process, agencies submit their facility plans to DAS and to the **Capital Projects Advisory Board (CPAB)**. CPAB was created by the Legislature to provide a public review process for capital projects proposed by state agencies.<sup>6</sup> The board consists of seven members with at least five public members knowledgeable in construction, facilities management, and maintenance and up to two state agency employees. The DAS director appoints the board's chair.

Agencies present their plans to CPAB between April and August of the even-numbered year prior to a legislative session. All agencies that own facilities present before the board, including agencies that do not have funding requests. These plans include reports documenting the agency's facility inventory, facility condition, and any funding requests that cost more than \$1 million.

The board's review of agency proposed capital projects may include, per statute, the following: an examination of the effectiveness of asset protection, maintenance, and repair; effectiveness of space utilization, including inventory of existing occupied and unoccupied building space; and the condition of existing occupied and unoccupied building space.

At the conclusion of agency presentations, the board writes letters with their recommendations related to agency facility plans, to the DAS director, the state's Chief Operating Officer.

The **Capital Planning Commission** provides another avenue for public review of specific agency facility proposals. The commission's review is applicable only for agency facility proposals within the cities of Salem and Keizer that involve the purchase, construction, or significant changes of use of a state building requiring an expenditure of more than \$1 million. The purpose of the commission's review is to ensure compliance with area development plans. After reviewing an agency proposal the commission is required to provide the agency with a written decision supporting their recommendation. Members of the commission include public officials from the City of Salem, the DAS director or designee, legislators, and four members of the public appointed by the Governor.

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<sup>5</sup> ORS 276.227

<sup>6</sup> Capital project include land, building, and other major facility renovations, additions, or improvement projects.

## ***DAS has multiple roles in the statewide facility planning process***

Within DAS, the director, FPU, and the CFO, each has a role in the statewide facility planning process. Using information from the process, DAS is required by statute to provide recommendations and information to the Governor and the Legislature on the construction, leasing, and facilities management issues of the state government.<sup>7</sup>

**The DAS director**, in consultation with CPAB, may request long-range facility plans and funding strategies from agencies. The director may ask the board to report on and make recommendations related to long-range plans, the condition of facilities, maintenance schedules, funding strategies, and options for new facilities. The director may also seek recommendations from the board regarding the needs of existing facilities and long-term facility goals.

**Facility Planning Unit**, which comprises three staff led by the State Architect, is the entity within DAS that administers the statewide facility planning process and supports agencies in the development of their facility plans and CPAB presentations. FPU was established in 2013 in order to implement Executive Order 12-17. Rescinded in 2016, this order outlined a systematic approach for investing in state infrastructure and facilities that rely on bonds paid back by General or Lottery funds. It also required DAS to develop a 10-Year Strategic Capital Investment Plan in order to provide a long-range strategy for future capital investments.

FPU has two broad goals: first, provide high-quality data and best practices to agencies to support their internal planning efforts. Second, for the improved planning and data to lead to better decision making at the state level. In addition to administering the statewide facility planning process, FPU is responsible for maintaining a statewide facility database, analyzing and evaluating statewide facility needs, and setting guidelines, standards, and best practices for state facilities.

The planning process is closely tied to the statewide budget development process. In order to align capital needs with the Governor's priority outcomes, the State Architect reviews and scores capital projects after CPAB has made its recommendations. Generally, the State Architect scores the agency projects in September and shares a prioritized facility project list, based on their scoring, with CFO management and budget staff in October.

**CFO management and budget staff** use the prioritized list, among other information, to prepare their recommendations for the Governor's Recommended Budget. The CFO staff receive agency request budgets in August and prepare and finalize their budget recommendations through November of each even-numbered year. DAS also creates the appropriation bill for statewide capital construction project funding requests.

## ***Statute intends for the Governor and the Legislature to use information from the facility planning process to inform facility investment decisions***

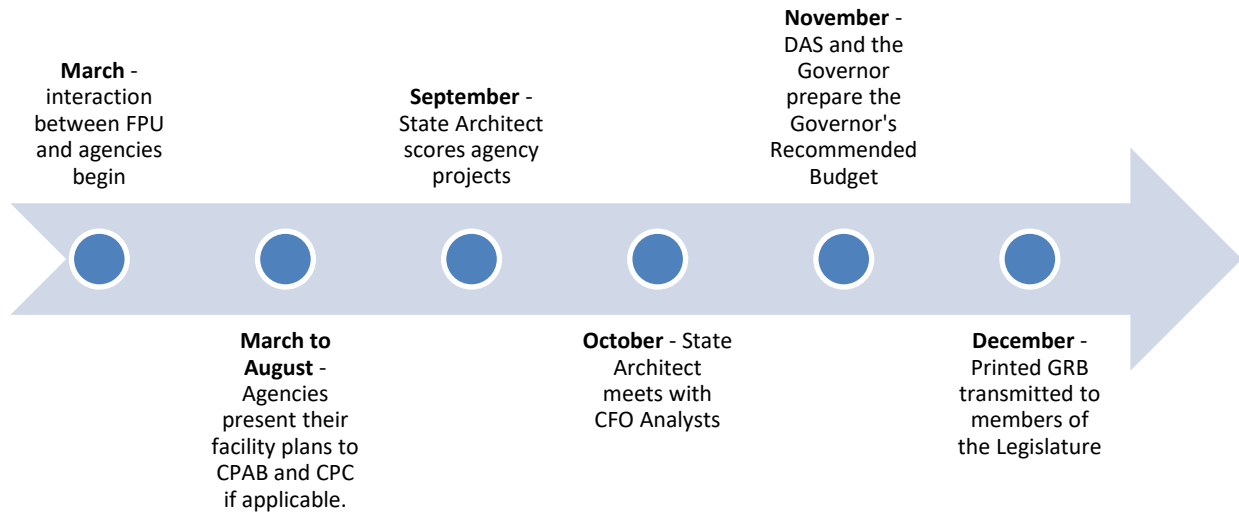
The **Governor**, through the Governor's Recommended Budget, recommends agency requests for capital projects and capital improvements based on deliberations with the CFO. After the Governor's Recommended Budget and the capital projects appropriation bill are completed in November, they are provided to the Legislature.

The **Legislature** determines which budget requests are funded, including facility-related funding requests during the odd-numbered years in the budget cycle. Figure 2 summarizes the facility planning process that begins in even-numbered years of the budget cycle.

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<sup>7</sup> ORS 276.227(3)(f)

**Figure 2: The facility planning process involves multiple entities and takes place during even-numbered years in the budget cycle**





## Audit Results

Oregon Revised Statute requires the state's physical assets, such as office buildings, secured correctional facilities, warehouses, and hospitals be in sufficient condition to allow agencies to provide public services to Oregonians. These assets represent a significant financial cost that must be understood to ensure proper stewardship for both long-term use and strategic investment purposes. Providing and operating state government facilities is a significant capital investment; thus, it is the policy of the State to plan, finance, acquire, construct, manage, and maintain state government facilities in a manner that maximizes and protects this investment.

Per administrative rule, DAS administers the biennial statewide facility planning process. This process is intended to ensure decision-makers are making long-range, strategic investment decisions that prioritize liability and risk, programmatic need, and community benefit. However, we found that while DAS has implemented continuous enhancements over the last several years, the current process could be further improved to more effectively inform investments in state facilities. A statewide plan could improve the statewide planning process, and more complete facility data would better inform decision-makers. DAS should continue to make improvements to the facility planning process to more effectively inform and increase transparency for investments in state facilities.

### **The facilities planning process could be further improved to more effectively inform decision-makers and increase transparency**

Since 2013, DAS has improved the facility planning process. Statewide facility data are more readily available and comparable than in the past and agency facility reporting has been standardized. Beyond these improvements, DAS has the opportunity to further improve the facility planning process by better utilizing the CPAB review process and FPU's prioritization of agency facility projects. These improvements should lead DAS to provide better information and recommendations to decision-makers.

#### ***DAS has improved statewide facility data collection and reporting***

Prior to 2013, statewide facility data was inaccurate, unreliable, and incomplete. Agencies that owned facilities reported their facility needs to the CFO and the Legislature using self-reported data. No entity was responsible for checking the accuracy of agencies' reported data. Several databases existed with some facility data, but no entity reconciled these databases. This lack of quality data made it difficult for decision-makers to identify risks related to facilities, such as deferred maintenance across agencies.

By 2014, FPU moved the facility database from an older and unverified Access database to a more modern system and used information from DAS Enterprise Asset Management, DAS Risk Management and other agencies to establish a more accurate inventory of state facility assets. The primary purpose of this data, as identified in administrative rule, is to help make effective decisions for capital projects, space needs, and maintenance of facilities.<sup>8</sup>

During the 2013-15 biennium, three agencies — DAS, the Oregon Youth Authority, and the Oregon Liquor Control Commission — participated in a facility condition assessment pilot program. These independent assessments provide detailed condition information and help agencies, as well as DAS, project future capital needs by estimating when major building systems will be in need of replacement. Seismic and flood hazard assessments were also included for some facilities. Over the next two biennia, 11 of the 19 agencies in our scope had their facilities

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<sup>8</sup> OAR 125-125-0150 (6).

independently assessed. These initial assessments covered nearly 15 million gross square feet and more than \$5 billion of the state's major facility inventory, accounting for more than 80% of the total of each.

Due to FPU's effort, there is now facility data that can be aggregated, on a statewide level, to show all the facilities owned by the state and their associated assets, age, size, value, and condition. FPU also helped to ensure agency presentations to CPAB are more streamlined and established standardized formats for agency facility reporting.

FPU initially focused on establishing a building inventory and data standards across agencies and focused on creating a long-range facility plan for the state. The unit then provided facility condition assessments to provide better data. Over time, the focus of the unit has shifted from long-range statewide planning to an advisory role, providing standards and best practices to agencies.

### ***CPAB's role and impact in state facility planning process is inconsistent and limited***

The purpose of the statewide facility planning process is to ensure that the State is making rational, data-driven investments in state facilities. We found the effectiveness of the process is limited because it is not consistently followed, and agencies find little value in it though they expend resources for the process.



DAS received funding to purchase this former Microsoft building in Wilsonville without presenting the project to CPAB  
Source: PBV Valuation, LLC

We found that DAS did not follow the planning process during the 2019-21 budget cycle for one of its own large capital project requests. DAS obtained \$24 million in bond funding from the Legislature, the second-highest amount approved for a state facility, to purchase a building in Wilsonville without first presenting the project to CPAB.

Review by CPAB of a project this size is required by administrative rule<sup>9</sup> and by DAS's own bond guidance<sup>10</sup> prior to requesting the funds. Instead, DAS presented the project to CPAB in September 2019, more than two months after the funds were approved.

At this meeting, DAS staff noted that the building will likely require at least \$100 million in additional improvements to meet long-term needs. This example does not follow the intent of the facility planning process especially related to transparency, where agencies vet their facility requests through FPU and CPAB prior to submitting funding requests to the Governor and Legislature.

Facility managers at seven agencies reported mixed reviews regarding the value of the process. Five of them reported they do not necessarily rely on input from FPU staff or CPAB to identify their needs, as they have processes for that purpose. Some of these managers noted that the

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<sup>9</sup> OAR 125-125-0300

<sup>10</sup> DAS's "Agency Guide to Financing Projects with Article XI-Q Bonds" manual states that "if an agency wants to request funding for a major construction or acquisition project, they must first submit project plans to the Capital Projects Advisory Board for review and approval."

work required to prepare for CPAB meetings is inefficient, since they do not use CPAB input for their facility planning.

One agency reported they did not know the purpose of the CPAB, as they have never had to present their facility needs before it; another reported they would be fine without the process but it provides value to other agencies; yet another did not know the statewide priorities that their facility requests are supposed to align to; while another sees DAS only as a support to help them prepare CPAB reports. This demonstrates confusion about the intent and value of the process and presents an opportunity for enhanced communication to ensure efficiency and effectiveness.

The purpose of CPAB is to provide a public review of a process that otherwise exists entirely within state government. Furthermore, CPAB board members provide useful feedback and expertise that may not be present in agencies' existing facility planning processes. When the process is not followed it creates a barrier to transparency and accountability to taxpayers.

### ***DAS does not consistently use the prioritized list to make funding recommendations***

The prioritized project list developed by the State Architect is intended to inform the CFO budget analysts and the Governor's Office as they prepare the Governor's Recommended Budget. However, budget analysts in the CFO are not consistently using the prioritized projects list from the State Architect to recommend capital projects for the Governor's budget. Five of the seven CFO analysts we talked to reported that they did not use the prioritized project list when providing input on capital projects for the 2019-21 budget for various reasons, ranging from the timing of the completion of the prioritized list, to other non-facility agency requests that took precedent over facility needs for a particular agency.

According to CFO budget staff and management, there is no formal, documented statewide review or comparison of facility needs among agencies at the analysts' level. DAS management told us that a statewide review of capital projects occurs late in the budget process that includes DAS management, the State Architect, and members of the Governor's staff. However, they also told us this statewide review is not documented. While there is no requirement for DAS to use the prioritized list, an opportunity is being missed for decision-makers to be informed by a list that is created through a process that includes the use of data, a public review, and an objective scoring process. The value of the long and intensive process of reviewing and prioritizing facility needs by CPAB and FPU is also limited if the information is not consistently used to make decisions.

The National Association of State Budget Officers reported the demand for capital improvement and new infrastructure investments generally exceeds available resources. This is certainly the case in Oregon. States adapt to resource constraints by prioritizing capital project requests based upon various criteria. Priorities help agencies, facility planners, legislators, and budget officers determine which capital projects should be included in the capital budget, and which should be considered in the future.

DAS is responsible for providing an objective evaluation of the state's portfolio for making long range strategic investment decisions that prioritize liability, risk, and community benefit for the purpose of ensuring the state is making rational, data-driven, investment decisions. The facility planning process is closely tied with the statewide budget development process and is intended to align capital needs with the Governor's priorities. By not consistently using the prioritized list, DAS risks making recommendations that are not based on or do not fully utilize an objective evaluation of the state's facility portfolio.

## ***DAS could improve the process by aligning prioritization criteria to the expectations of decision-makers***

Given that the prioritized list exists in large part to inform the budget process, we expected FPU's project scoring to align with the priorities that CFO management reported to us, particularly their emphasis on addressing deferred maintenance. Instead, we found a disconnect between the scoring results and these priorities. For example, CFO management reported deferred maintenance projects were a key priority for the 2019-21 budget cycle; however, deferred maintenance-related projects were, on average, scored lower than other project categories<sup>11</sup> and a smaller percentage of them were included in the Governor's budget. Figure 3 shows the average score of the projects considered for the 2019-21 Governor's Recommended Budget.

**Figure 3: In 2019-21 capital renewal and deferred maintenance projects scored lower than other project types even though they were considered high priority**

Project Type	Average Project Score (out of 100)	Total requested by agencies	Total included in Governor's Budget	% of agency requests in Governor's Budget
Capital Renewal/Deferred Maintenance	43	145,035,612	50,248,167	35%
Modernization	58	104,641,912	90,000,223	86%
New	63	112,577,965	20,200,000	18%
Other	57	1,155,012	771,000	67%
Total	45	363,410,501	161,219,390	44%

Source: Auditor Analysis of DAS FPU's 2019-21 Facility Project Prioritization and the 2019-21 Governor's Recommended Budget

Two groups within the CFO are using multiple criteria to evaluate and prioritize agency facility projects. FPU uses guiding principles, prioritization scoring criteria, and categories of maintenance.<sup>12</sup> CFO budget analysts and management are using other factors that are not documented in facility planning materials. These criteria are not clearly aligned and, outside of DAS, it is not clear which criteria are used during the different steps of the planning process.

For example, the categories of maintenance have five priority levels, but these levels are not directly reflected in the scoring criteria that FPU uses when prioritizing agency project requests. Additionally DAS staff told us that only the Priority 1 maintenance needs are included in the deferred maintenance, even though all five are defined as deferred maintenance in the guidance provided to agencies – another examples of the misalignment of the criteria used to prioritize facility related projects.

It is hard to determine how facility funding requests can fit into all of these different criteria, especially when projects

### **Statewide Budget and Capital Prioritization Scoring Criteria used by FPU:**

1. Align with state long-term priorities (3 points)
2. Cost Savings (2 points)
3. Need and Capacity (3 points)
4. Finish what we start (1 point)
5. Resilience (3 points)
6. Environmental and Social Sustainability (2 points)

<sup>11</sup> According to DAS, the "Modernization" category can include projects that address deferred maintenance or capital renewal needs, in addition to functional changes to a facility, but the portion of the project that addresses these needs is not clearly illustrated.

<sup>12</sup> Categories of maintenance are defined in the Introduction Section of the report.



### Facility Planning Guiding Principles

**Design for quality:** Good building design; highest feasible level of environmental and architectural design.

**Steward our investments:** properly maintain public investments; design buildings with lowest total cost of ownership

**Right-size portfolio:** Prioritize adaptive reuse of buildings and projects that maximize efficiency and long-term utility.

**Contribute to the Whole:** Consider how a project impacts the community and helps achieve statewide priorities.

**Convey our identity:** Ensure buildings contribute to an image of accessibility and responsiveness of government

**Be resilient:** Build for resilience using science, data and community wisdom to protect against and adopt to risks of catastrophic events.

ranging from deferred maintenance across multiple facilities to the design and construction of new facilities use the same criteria and scoring process.

To CFO management, the scored list from FPU is not complete because it does not reflect additional factors — such as agency funding sources, project readiness, and the quality of agency projects — they consider when making facility-related budget recommendations. None of these factors are reflected in the project prioritization criteria, guiding principles, or maintenance prioritization categories. For example, CFO management told us that agencies with access to non-General Fund sources for facilities are more likely to be recommended for funding, but this factor is not reflected in the current prioritization process.

When DAS makes facility funding recommendations based on criteria that are not clearly documented and are not included in the planning and prioritization process, it creates a potential risk that funding may not be going to the portfolio's highest needs. It can

also lead to investment decisions that are based on factors that are not directly related to agency facility needs. This could also lead to a process where some agency facilities with similar needs are not funded and will experience continued facility deterioration. It can also result in a process that lacks transparency.

## Transparency and accountability are limited in the statewide facility planning process

Transparency is critical for the use of public monies and assets. The statewide facility planning process lacks transparency as there is limited public information available to explain facility investment decisions. The lack of public information hinders the Legislature and citizens from being fully informed of facility investment needs, which limits accountability for the decisions that are made.

DAS does not provide online access to the detailed facility reports that agencies provide to CPAB. It also does not provide CPAB's recommendations online, only posting the minutes from the most recent CPAB meeting on its website. Providing this facility-related information in an easy-to-use format would help citizens better understand the facility needs of state government.

As noted above, FPU creates a prioritized list of facility projects after agencies present them to CPAB. This list is an objective assessment of each proposed project's relative merits based on an established set of publicly available criteria. However, DAS does not share this list with legislators or the public.

According to DAS, it considers this prioritized list to be an advisory communication between the CFO and the Governor made prior to the publication of the Governor's Recommended Budget and therefore exempt from disclosure under Oregon public records law.<sup>13</sup> This approach does

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<sup>13</sup> DAS identified the public records exemption under ORS 192.355 (1): Communications within a public body or between public bodies of an advisory nature to the extent that they cover other than purely factual materials and are preliminary to any final agency determination of policy or action. This exemption shall not apply unless the public body shows that in the particular instance the

not account for the critical role of the Legislature in appropriating funds for facilities in the state budget — three of the four key legislators that we spoke with were interested in receiving more project prioritization information from DAS. Further, sharing this list would help meet the statutory intent of the process by providing information and recommendations to both the Governor and Legislature.<sup>14</sup>

While budgetary deliberations involve difficult decisions and trade-offs, providing maximum information and transparency to inform all stakeholders involved in the allocation of public monies is critical. It is unclear how providing FPU's prioritized project ranking information, which is based on objective data from public presentations to the CPAB, would impinge on the Governor's Office's deliberative process. Other states such as Utah, Oklahoma, Alaska, and Georgia make this type of information publicly available.

Providing this information to legislators would allow them to make better informed facility investment decisions and provide them with additional options beyond what is recommended by the Governor. Accountability for facility investment decisions would also be enhanced by allowing the public to scrutinize which projects were selected by the Governor and Legislature, and which were not, while being able to take FPU's expert assessment of the projects into account.

### **A statewide plan can better identify and address the highest needs of the state's facility portfolio**

The need for a statewide facility plan in Oregon was identified in 2012. An executive order required DAS to develop a 10-Year Capital Plan for the state. In the 2013-15 biennium, the Legislature funded a State Architect position to establish a proactive capital planning function within the CFO. This position was intended to take a lead role in developing and implementing mid- and long-range capital plans. Such plans were expected to project future facility needs, provide recommendations on both acquisition and disposition of state assets, evaluate the use of leased facilities, and incorporate needs for replacement and renovation of facility components. Although the executive order was rescinded in November 2016, in both the 2015-17 and 2017-19 biennia, the Legislature authorized the CFO to continue developing a long-range facility plan for the state.

While there is no statutory requirement for DAS to create a statewide plan for facilities, the timeline above indicates that state leadership has valued the development of one. DAS, who helps agencies assess their facility investment needs, is in the best position to create this plan. Best practices also show Oregon could benefit from a plan to inform statewide facility needs.

### ***A statewide plan could help provide statewide strategies and guidance to address risks in the facility portfolio and inform investment strategies***

Leadership at DAS and key legislators reported multiple concerns regarding the state's facility portfolio. A statewide plan is a tool that could be used by DAS to provide a comprehensive approach to address these concerns. With available data, expert knowledge on the statewide portfolio, and the FPU structure in place, DAS is in an ideal position to develop and carry out a statewide facility plan.

FPU management reported concerns regarding the state's facilities, including risks associated with aging and outdated facilities, seismic and flood risks, and deferred maintenance. The

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public interest in encouraging frank communication between officials and employees of public bodies clearly outweighs the public interest in disclosure.

<sup>14</sup> ORS 276.227 (3)(f)

average age of the entire state portfolio is 41 years, with some facilities built in the late 1800s. Only three agencies, and 112 facilities, have completed seismic and flood analyses. Based on agency reporting in 2018, there is nearly \$450 million in deferred maintenance and capital renewal needs across agencies.

Some of the legislative members we interviewed also reported their concerns regarding the status of statewide facility planning. One member was not sure what the short- and long-term plans were for the state's portfolio — whether the Legislature should focus on acquiring new facilities, maintaining current facilities, or a combination of both. Others were concerned about the level of deferred maintenance across the state, the perceived lack of a coherent view of the portfolio across the state, and whether agencies' Americans with Disabilities Act needs are met.

FPU has two broad goals: first, provide high-quality data and best practices to agencies to support their internal planning efforts. Second, for the improved planning and data to lead to better decision making at the state level. A plan would not replace these goals or dictate what agencies can or cannot do, but would identify strategies to accomplish these goals and allow facility-owning agencies to align their plans and funding requests with statewide strategies and priorities.

In a performance management context, DAS's plan could include its vision and mission, measureable objectives or priorities, and strategies for achieving the objectives as related to the state's facility portfolio.<sup>15</sup> The agency's vision would provide a focus on a future state and provides a context for creating measures that reflect progress toward that future state. A mission statement is more concrete — it says what the purpose of the planning process is and helps others understand what is outside of the purpose. A strategic plan mission statement can also help DAS identify what it needs to accomplish, establish priorities, and set expectations.

### ***A statewide plan would help address current and future facility issues***

The overall condition of agency facility portfolios is reported using a measure of facility condition relative to current replacement value, called the facility condition index.<sup>16</sup> Currently, there is significant variation in the condition of agency facility portfolios based on this measure.

Of the agencies that have had independent facility condition assessments, three had facility condition indexes in "Good" condition, four in "Fair" condition, and three in "Poor" condition. A statewide plan could help DAS bring attention to this variation and provide strategies to improve the portfolios of agencies in poor condition without compromising the facility portfolios that are already in good condition.

The National Research Council estimates that each dollar invested in deferred maintenance can help reduce future facility costs by as much as four dollars.

A statewide plan could also help to proactively address future deferred maintenance and capital renewal needs. As noted previously, DAS estimates that state-owned facilities will have over \$1 billion in deferred maintenance and capital renewal needs by 2026. The Legislature passed a bill in 2017 that requires the Governor to include at least 2% of the value of the state's facilities for deferred maintenance and capital improvements in existing facilities each biennium — more than \$140 million dollars, based on

<sup>15</sup> Performance management is an ongoing, systematic approach to improving results through evidence-based decision making, continuous organizational learning, and a focus on accountability for performance.

<sup>16</sup> The facility condition index is calculated by dividing the current replacement value of an agency's major facility portfolio by its identified Priority 1-3 maintenance needs expressed as a percentage. It is summarized as follows: Good=0-5%, Fair=5-10%, Poor=10-60%, and Very Poor=Greater than 60%.

2018 facility values. A statewide plan would help better ensure that these funds are used to address the most critical facility needs across the entire statewide portfolio.

**Figure 4: There is significant variation in the facility condition index across agencies<sup>17</sup>**

Good (Facility Condition Index 0-5%)	Fair (Facility Condition Index 5-10%)	Poor (Facility Condition Index >10%)
Department of Administrative Services (4.3%)	Department of Corrections (8.7%)	Department of Education (15.3%)
Department of Public Safety and Standards and Training (0.9%)	Department of Forestry (7.1%)	Oregon Liquor Control Commission (12.6%)
Department of Fish and Wildlife (1.1%)	Department of Transportation (5.3%)	Oregon Youth Authority (13%)
Military Department (7.1%)		

Source: OAD analysis of 2018 building level CPAB report data for agencies that received independent facility condition assessments

***A statewide plan would also help management and staff, elected officials, and citizens evaluate the effectiveness of the facility planning process***

DAS has developed performance measures intended to assess the level of effectiveness, efficiency, and affordability of the state's facility portfolio. We found that current metrics do not provide a clear and accurate picture of the progress the state has made in improving facility conditions and are difficult to apply across the state's facility portfolio. Current metrics also do not assess whether FPU is meeting its goals of providing quality data and best practices that lead to better decision making. Aligning performance measures with a statewide facility plan with clearly defined investment goals and strategies would allow for better tracking and reporting of the status of state's facility portfolio.

Performance measures provide objective information used in making decisions for the planning, budgeting, management, and evaluation of government services. Measures should be both informative and relevant. Measures should be tracked to show where an agency was in relation to targets, where it is now, and where it wants to be, as well as the timeline associated. The National Performance Management Advisory Commission indicates that all service areas can measure performance in a way that helps staff, managers, elected officials, and citizens make decisions and evaluate the effectiveness of provided services.<sup>18</sup> A good set of measures provides a complete picture of an organization's performance.

The performance outcome target for the facility condition index, which DAS uses to measure effectiveness, is 5%. When asked about the progress on this target, we were told progress is being made. However, there is no source that documents that progress — that is, if facility conditions are getting better, getting worse, or staying the same over time.

We also found that the facility condition index is measured inconsistently among agencies. For example, the formula for calculating the index requires that agencies calculate the condition

<sup>17</sup> The following agencies had not completed independent facility condition assessments when we began our audit: Department of State Lands, Aviation Department, Employment Department, Oregon Health Authority, Oregon Parks and Recreation, Oregon State Police, and Public Employees Retirement System.

<sup>18</sup> National Performance Management Advisory Commission is an advisory commission within the Government Finance Officers Association with members from state governments and higher education. The Commission developed a Performance Management Framework for State and Local Government to help public-sector organization address challenges related to limited government resources and the public's lack of trust in government.



using facilities valued over \$1 million using only priority 1–3 needs. However, some agencies calculated their indexes by including all of their facilities (both over and under the \$1 million threshold) while others included all identified facility needs. This inconsistency creates over-reporting of the facility condition index for some agencies and inhibits an apples-to-apples comparison of facility conditions across the state’s portfolio.

**Figure 5: Performance measures for the state’s facility portfolio assess three factors**

Measures	Description
<b>Effectiveness</b>	A calculated measure of facility condition relative to its current replacement value (expressed as a percentage) and represented by the following categories: Good, Fair, Poor, Very Poor.
<b>Efficiency</b>	Space Utilization – A calculated measure of how efficiently space is being used. This metric varies for different space types, with greater emphasis on office and administrative uses. The State of Oregon is moving toward a new guideline of 175 Usable Square Feet per Position for office and administrative uses. For other uses, a secondary metric is used.
<b>Affordability</b>	Operation and Maintenance Cost per Gross Square Foot – a standard measure of affordability. This metric varies by building and operational type.

Source: DAS Facility Planning Manual

The efficiency measure is primarily implemented through new or renovated facilities and leases. DAS has not assessed this measure statewide because the facility types and services vary significantly between agencies. Similarly, DAS has not assessed the affordability measure statewide because of the variation of facilities in the state’s portfolio. DAS has collected data related to these two measures, but without assessment, it is hard to know if agencies are on track in terms of efficient use of space or if facilities are more affordable in terms of operation and maintenance costs.

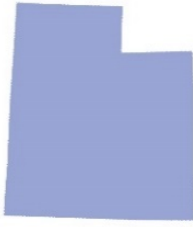
DAS is well positioned to create a statewide facility plan. A plan would help set the strategic direction for facilities while effective performance measures would help identify areas for improvement and provide enhanced accountability for the statewide facility planning process. Most importantly, a statewide plan would help the state strategically address the significant variation in facility condition between agencies and provide guidance to ensure that investments to reduce deferred maintenance address the most critical facility needs.

## Other states, and a large state agency in Oregon, have facility-related plans

The Government Finance Officers Association recommends that states prepare and adopt comprehensive, fiscally sustainable, and multi-year plans to ensure effective management of capital assets. These plans should identify and prioritize expected needs and should ideally cover a period of five or more years.

We reviewed examples of facility-related plans from a number of states, as well as the recently released Oregon Higher Education Coordinating Committee Strategic Capital Plan. Regardless of the plan type, the intent is to provide guidelines or frameworks to inform decision-makers of facility needs to help guide where to invest the limited amount of resources available for government facilities.

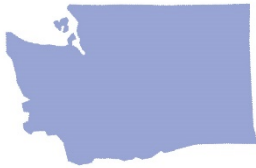
### ***Other states have detailed, long-range facility-related plans***



States such as Utah, Vermont, Alaska, and Oklahoma have long-range capital plans. Utah has a five-year plan that clearly defines the roles of the different stakeholders in the capital planning process and describes the evaluation and prioritization process used to identify facility needs. The evaluation guide used by Utah also identifies clear objectives the state wants to accomplish. For example, the first objective noted is for projects to eliminate risks related to life, safety and other deficiencies in existing buildings through renewal or replacement. Utah prioritizes large capital construction projects and smaller repair- and replacement-related projects separately, meaning that these two types of important projects are not competing with each other.



Oklahoma's capital plan provides lawmakers and citizens with detailed prioritized project lists, similar to Utah. Additionally, it outlines significant issues, such as deferred maintenance and historic underfunding of facilities, and provides recommendations on how the state can better address these issues going forward.



In addition to a capital improvement plan, the State of Washington also has a long-range facilities plan. This plan uses agency strategic plans and staffing projections to project future space needs and their associated costs. It also identifies current and future agency projects to address these space needs, which are scored based on their benefit to the state as a whole. Finally, this plan incorporates performance measures, such as facility square feet per user and facility costs per user, as well as goals so that the effectiveness of the planning process can be assessed. Staff from Washington's Office of Financial Management who developed the plan told us they believe their planning process supports agency strategic planning efforts and allows for policy goals to be better incorporated into facility planning. The plan is intended to set expectations about future space use, provide a tool to effectively manage outcomes, and establish accountability.

### ***Oregon's Higher Education Coordinating Commission recently developed a Strategic Capital Plan to guide state university capital planning***



Source: HECC website

In October of 2019, Oregon's Higher Education Coordinating Commission released a Strategic Capital Plan for the state's seven universities, at the request of the Legislature. This plan is not intended to dictate specific projects for the universities. Instead, its goal is to provide a strategic direction for the state as a whole that the individual universities can use to align their capital funding requests to the Legislature.

The plan outlines current and expected future enrollment, current space use, academic programs, and facility statistics, among other information, for each of the universities. It also provides general recommendations, such as the need to focus on deferred maintenance across the university system. Staff from the commission told us that this plan is being used to update the criteria they use to prioritize capital funding requests. Additionally, they told us that developing this plan helped them identify some deficiencies in facility-related data across the university system.

There are a number of different approaches that DAS could take to develop a long-range plan for facilities. Plans from states like Utah and Oklahoma focus on prioritizing large projects and

major maintenance in a transparent and informative way, providing detailed facility information to legislators and the public. Washington’s facility plan provides staffing and facility projections as well as performance measures and goals to help provide accountability. Finally, the Higher Education Coordinating Commission’s recent plan differs in that it does not identify specific projects, but instead provides common information and a strategic direction that universities can use to align their own facility plans.

## Complete and informative facility data is critical for decision-makers in the facilities planning process

Accurate and comparable facility data are necessary for effective strategic facility planning. While DAS has made progress in improving the quality and consistency of facility data through the use of independent facility condition assessments, not all agencies have been assessed. Additionally, many agencies that have not been assessed appear to be underestimating their facility needs. Consistent and accurate data for the statewide facility portfolio would help DAS better promote a statewide, data-driven facility planning process for developing capital budgeting and financing strategies.

### *Facility data is incomplete and inconsistently updated*

While DAS has made improvements in the quality and consistency of statewide facility data, there are still several areas where it could be improved. We found that statewide facility data has issues related to its completeness, the lack of a schedule for follow-up facility condition assessments, and the consistency with which it is updated and reported by agencies.

The National Association of State Budget Officers and Government Finance Officer Association both stress the importance of high-quality facility data for effective facility planning. The National Association of State Budget Officers recommends that states maintain a central facility database that includes general information, such as building age, size, replacement value, and building condition. States are better able to set their facility priorities when they have current and reliable records of state-owned assets. DAS has a statutory responsibility to maintain a statewide facility database<sup>19</sup> and FPU has placed a significant amount of effort into improving the quality of the statewide facility inventory.

**Figure 6: As of 2018, some major facilities have not been independently assessed**

Facility Condition Assessment Status	Facility Count	Gross Square Feet	Current Replacement Value
Major Facilities with an FCA	527	14,761,148	5,041,978,307
Major Facilities without an FCA	222	3,795,368	1,358,802,071
<b>Total</b>	<b>749</b>	<b>18,556,516</b>	<b>6,400,780,378</b>

Source: OAD analysis of DAS-FPU and CPAB data from 2018

DAS has supported facility condition assessments for more than half of the agencies that own facilities and these assessments have covered over 80% of the square footage of the major facilities in the state’s facility portfolio. Yet there are still more than 200 major facilities in the state, valued at over \$1.3 billion that have yet to receive these critical independent assessments. For example, the Oregon Health Authority has not had a facility condition assessment for its

<sup>19</sup>ORS 276.227(4) states that DAS “shall establish and maintain a central database of information on state-owned property of all state agencies including land, buildings, infrastructure, improvements and leases. This database shall include an inventory of state-owned facilities as well as descriptive and technical information.”

approximately \$450 million facility portfolio, which is primarily made up of critical mental health facilities that are some of the most valuable state-owned facilities.

Facility condition assessments need to be completed on a regular basis in order for them to continue to provide useful information to decision-makers. Facility managers may not accurately update facility records as repairs are made, or building components may unexpectedly fail. As time passes, the quality of the information these assessments provide deteriorates. Federal agencies typically assess their agencies every three to five years. Utah conducts them for a fourth of their major facilities every year. DAS has a goal to conduct them for all major facilities on a six-year rotation, but currently there is no mechanism to ensure this will take place.

Finally, we found that agencies report and update their facility condition information inconsistently. For example, two of the agencies we selected which had undergone facility condition assessments told us they were not consistently updating the information in the statewide database. Additionally, some of the agencies that have not received facility condition assessments are not reporting facility data in a manner consistent with those that have been assessed. For example, one agency reports their facility needs based on projects that have identified future funding sources. This varies significantly from agencies that have been assessed because all building needs are identified, regardless if they are planned projects or have available funding.

DAS recognizes the value of facility condition assessments and has requested funding in both the 2017-19 and 2019-21 biennia to support agencies who did not have assessments funded in prior biennia, but neither request was included in the Governor's Recommended Budget or funded by the Legislature.

### ***Decision-makers do not have comprehensive facility data to inform their decisions***

Without complete and consistent facility data, key decision-makers, including the Governor and the Legislature, do not have a reliable and consistent understanding of facility needs statewide and between agencies.

FPU staff believe agencies that self-report their building conditions are underestimating the needs of their facilities when reporting to CPAB and the CFO's Office. This under-reporting is significant enough that DAS does not use estimates reported by agencies when estimating statewide facility needs. Instead, they estimate statewide facility needs by assuming that the full statewide portfolio has the same level of need as the agencies that have had facility condition assessments and then extrapolate a statewide figure.

Based on our analysis of CPAB data, FPU's belief regarding self-reported facility is reasonable. Agencies that had an independent facility condition assessment reported that 57% of their facilities were in "Good" condition, while self-reporting agencies reported 88% of their facilities were in "Good" condition. Self-reporting agencies only identified 7% of their major facilities as being in "Poor" condition, whereas assessed agencies reported a rate nearly four times as high; see Figure 7.

**Figure 7: Self-reporting agencies are likely underestimating the needs of their facilities**

Building Condition	Statewide Portfolio	FCA Agencies	Self-Reporting Agencies
Good	60%	57%	88%
Fair	15%	16%	5%
Poor	24%	26%	7%
Very Poor	1%	1%	0%

Source: OAD analysis of agency level CPAB data



Without detailed condition data for all major facilities across all agencies, there is a risk that some facilities with high needs will not be identified for funding, while facilities with less pressing needs are funded. From a statewide facility planning perspective, DAS is unable to accurately estimate the short- or long-term needs for the statewide building portfolio without complete, consistent, and up-to-date facility data for all agencies.

### **Without improvements to the facility planning process, the risk of underinvestment in state facilities remains**

Facility-owning agencies are responsible for maintaining and managing their own facility portfolios, while DAS oversees the facility planning process at the state-level. While no one entity is responsible for statewide facility planning, DAS is in an ideal position to take on this role, considering the agency's access to statewide facility data, agency facility plans, and the current structure in place within FPU. Without improvements to the current process, decision-makers miss the opportunity to have a statewide view of the facility needs across agencies, creating a risk that their funding decisions may not be going to the state portfolio's highest needs and they may be unknowingly underinvesting in state-owned facilities.

A statewide facility plan should provide additional guidance to agencies in their facility planning while informing decision-makers of the state's highest facility needs, such as deferred maintenance and capital renewal. Making the prioritized list of agency facility-related budget requests available to the legislature should provide them with additional information on the state's facility needs beyond those recommended by the Governor, while enhancing transparency and accountability. Finally, complete facility data will allow decision-makers to have comparable information on the condition of the state's facility portfolio. These improvements should help ensure the state maximizes and protects its investments in state facilities.

## Recommendations

The facility planning process at DAS has improved with the addition of statewide facility data and a streamlined review process for facility funding requests. The agency has made good progress, but opportunities exist to further improve the process, enhance transparency, and ensure decision-makers have the information they need to make needed investments in state facilities. To that end, DAS should:

1. Create a statewide plan that makes clear the purpose and value of the statewide facility planning process and takes into account the risks in the state's facility portfolio, including addressing deferred maintenance and capital renewal needs.
  - a. Include in the plan the vision, measurable objectives, and strategies for achieving objectives. Objectives should focus on statewide long-term needs and concerns of which decision-makers should be aware.
  - b. Develop key performance measures that align with the plan's objectives and strategies.
  - c. Make the plan available to legislators and the public.
2. Consolidate the various criteria used by the CFO staff and management in facility funding decisions, including funding source and the quality of agency project planning, into the planning and prioritization scoring process.
3. Separate the scoring and prioritization process for capital renewal and deferred maintenance projects from new and modernization projects so these different types of projects are not directly competing against each other for funding.
4. Work with the Legislative Fiscal Office to identify and provide key legislative committee members needed comparative data on statewide facility needs.
5. Make key outputs of the planning process available to the public, including agency CPAB reports and CPAB meeting minutes.
6. Seek a legal opinion as to whether DAS's project prioritization list is exempt from public disclosure under ORS 192.355 (1). If not exempt, we recommend DAS release the prioritization list. If the list is exempt, we recommend DAS release the prioritized list after the exemption period has expired.
7. Work with the Governor and the Legislature to obtain ongoing funding for facility condition assessments to:
  - a. Complete assessments for agencies who have not been independently assessed.
  - b. Establish a facility condition assessment schedule to ensure that facility data remains up-to-date.

# Objective, Scope, and Methodology

## Objective

The purpose of this audit was to determine if the statewide facility planning process administered by DAS maximizes and protects investments in state facilities.

## Scope

This audit focused on state facilities with the current replacement values of more than \$1 million. Facilities include buildings, land, and associated infrastructure but does not include transportation infrastructure or higher education buildings and facilities.

We also included in the scope seven agencies who participate in the statewide facility planning processes. These agencies are:

- Department of Corrections,
- Department of Administrative Services,
- Department of Parks and Recreation,
- Department of Transportation,
- Department of Education,
- Employment Department, and
- Oregon Health Authority.

In order to reasonably represent the variation in agency facility portfolios, we selected one agency from each of the seven program areas identified in the budget with agencies subject to the statewide facility planning process.<sup>20</sup> We also selected agencies with both small and large portfolios and agencies that both had and had not received independent facility condition assessments. This selection included 69% of the gross square footage and 71% of the current replacement value of the major facilities in the statewide portfolio.

## Methodology

To address our objective, we used a methodology that included but not limited to: conducting interviews, reviewing documentation, reviewing research on facility management, and analyzing facility data.

To learn about the views, opinions, and perspective of major stakeholders, we conducted interviews with agency representatives from seven agencies, leadership and staff in the DAS CFO, and members of the Oregon Legislature responsible for making facility funding decisions. We also interviewed a Legislative Fiscal Office analyst and the chairperson of the CPAB.

To gain an understanding of the practices in other states, we interviewed state officials and reviewed supporting documentation from states such as Washington, Utah, Vermont, Oklahoma, Texas, Alaska, Florida, and Arizona. We selected these states because they were identified as leaders in facility and capital management.

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<sup>20</sup> There are eight program areas identified in the state budget, but the Consumer and Business Services program area does not include any facility-owning agencies.

We reviewed several documents to gain an understanding of the DAS facility planning process, including but not limited to:

- Oregon Revised Statutes;
- DAS Administrative Rules;
- DAS Facility Planning Manual; and
- Budgets (Governor's Budget, selected agencies' budget requests and legislative budget reports, legislatively adopted budgets, and budget instructions)

We reviewed research and studies on industry standards for facility planning and capital planning processes as well as other states' facility planning practices.

Our data analyses included an assessment of statewide building conditions based on agency CPAB reports from 2018. We also compared FPU's scored facility project lists and agency funding requests to projects included in the Governor's Recommended Budget from the 2015-17 to 2019-21 biennia.

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.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DAS during the course of this audit.



## Appendix A: Agency Reported Facility Condition Index for the 50 Most Valuable State-Owned Facilities

Agency <sup>21</sup>	Campus Name	Facility Name	Current Replacement Value (\$)	Facility Condition Index <sup>22</sup> (2018)
Department of Corrections	ODOC - Coffee Creek Correctional Facility	Medium Security Correctional Facility	184,514,772	2.3%
Oregon Health Authority	OSH - Junction City	JC Main Building	116,431,172	0.0%
Department of Administrative Services	DAS Group	Revenue Building	110,414,823	8.0%
Department of Administrative Services	DAS Group	Human Services Building	108,037,432	1.5%
Department of Administrative Services	DAS Group	Portland Office Building (New)	86,696,848	10.1%
Oregon Health Authority	OSH - Salem	PSR Housing/Mall Entry (Trails) Buildings F01 - F06	86,614,675	1.5%
Department of Corrections	ODOC - Two Rivers Correctional Institution	General Housing Units 9 to 14	79,000,746	4.1%
Department of Corrections	ODOC - Two Rivers Correctional Institution	General Housing Units 1 to 6	79,000,746	1.2%
Oregon Department of Transportation	ODOT - Transportation Bldg. HQ Grnds	F4245001 - Transportation Bldg. HQ	75,589,826	0.0%
Oregon Health Authority	OSH - Salem	Kirkbride Building	75,574,712	2.4%
Oregon Military Department	OMD - Camp Withycombe	41 Infantry Division AFRC	71,025,695	0.0%
Oregon Health Authority	OSH - Salem	ABC Housing/Mall (Admissions, Behavioral And Corrections Plus Mall)	70,268,587	1.5%
Department of Corrections	ODOC - Snake River Correctional Institution	DSU/IMU	67,356,096	9.2%
Department of Administrative Services	DAS Group	DEQ Health Laboratory	67,257,960	3.7%
Department of Administrative Services	DAS Group	North Mall Office Building	66,295,589	0.2%

<sup>21</sup> The following agencies self-report their facility condition index because they have not received an independent facility condition assessment: OHA, ODVA, and PERS

<sup>22</sup> The Facility Condition Index is a calculated measure of facility condition relative to its current replacement value, expressed as a percentage. Good=0-5%, Fair=5-10%, Poor=10-60%, and Very Poor=Greater than 60%.

Agency <sup>21</sup>	Campus Name	Facility Name	Current Replacement Value (\$)	Facility Condition Index <sup>22</sup> (2018)
Department of Corrections	ODOC - Central Distribution Center	Distribution Center including Site Landscaping and Hardscaping	65,680,807	1.5%
Department of Corrections	ODOC - Columbia River Correctional Institution	CRCI Main Facility	62,915,752	11.6%
Oregon Department of Veterans Affairs	DVA - Department of Veterans Affairs	Oregon Veterans' Home Lebanon	60,311,229	6.2%
Department of Administrative Services	DAS Group	Labor & Industries Building	56,536,024	3.6%
Department of Corrections	ODOC - Snake River Correctional Institution	Complex 3 - Housing/Gym	56,188,318	5.5%
Department of Corrections	ODOC - Snake River Correctional Institution	Complex 2 - Housing/Gym	56,188,318	4.9%
Oregon Military Department	OMD - Lane County	162 Inf Regiment Readiness Ctr	53,097,818	4.0%
Department of Administrative Services	DAS Group	Capitol Mall Parking Structure	50,143,036	2.0%
Department of Administrative Services	DAS Group	Public Service Building	45,564,023	4.0%
Department of Administrative Services	DAS Group	State Data Center	44,812,624	7.5%
Oregon Military Department	OMD - Camp Withycombe	CSMS	40,860,337	1.7%
Oregon Military Department	OMD - Anderson Readiness Center	Anderson Readiness Center	40,522,111	11.5%
Oregon Department of Transportation	ODOT - DMV HQ Grounds Salem	F8246701 - DMV HQ Office Bldg Salem	37,134,895	6.0%
Department of Administrative Services	DAS Group	Agriculture	36,983,145	8.1%
Department of Administrative Services	DAS Group	Employment Building	35,112,169	3.2%
Department of Administrative Services	DAS Group	Public Utility Building	34,935,361	0.8%
Oregon Department of Veterans Affairs	DVA - Department of Veterans Affairs	Oregon Veterans Home The Dalles	34,554,990	18.2%
Oregon Health Authority	OSH - Salem	Kitchen Building	33,821,081	0.0%
Oregon Liquor Control Commission	OLCC Group	McLoughlin	33,316,108	9.8%

Agency <sup>21</sup>	Campus Name	Facility Name	Current Replacement Value (\$)	Facility Condition Index <sup>22</sup> (2018)
Department of Corrections	ODOC - Oregon State Penitentiary	Cell Block E	31,850,696	21.3%
Department of Corrections	ODOC - Oregon State Penitentiary	Cell Block D	31,850,696	18.0%
Public Employees Retirement System	PERS - Public Employees Retirement System	PERS Headquarters	31,258,749	0.4%
Department of Administrative Services	DAS Group	Archives	29,725,795	1.9%
Department of Corrections	ODOC - Eastern Oregon Correctional Institution	D-1 to D-4 South	29,397,855	10.5%
Oregon Military Department	OMD - Joint Forces Headquarters	Owens Summers Bldg	29,325,514	11.2%
Department of Administrative Services	DAS Group	State Library	29,094,713	2.9%
Department of Public Safety Standards and Training	DPSST - 4190 Aumsville Hwy	E - Dormitory Housing Building	28,893,241	2.0%
Department of Corrections	ODOC - Two Rivers Correctional Institution	Workforce Building	28,844,586	0.1%
Department of Administrative Services	DAS Group	Justice	28,659,481	1.8%
Department of Corrections	ODOC - Santiam Correctional Institution	Main Facility	28,592,266	6.4%
Department of Corrections	ODOC - Snake River Correctional Institution	Complex 2 - Housing Unit I and J	28,571,760	4.0%
Department of Corrections	ODOC - Snake River Correctional Institution	Complex 3 - Housing I and J	28,571,760	4.0%
Department of Corrections	ODOC - Oregon State Penitentiary	Food Services & Infirmary Bldg	27,989,529	7.4%
Department of Corrections	ODOC - Oregon State Correctional Institution	Housing Units 1, 2, 3 and 4	27,495,825	23.5%
Department of Corrections	ODOC - Oregon State Penitentiary	Special Management Housing Unit	27,385,616	6.1%



# Oregon

Kate Brown, Governor

## Department of Administrative Services

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March 3, 2020

Kip Memmott, Director  
Secretary of State, Audits Division  
255 Capitol St. NE, Suite 500  
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division's final draft audit report titled "DAS Should Build on Recent Enhancements and Further Improve the Facility Planning Process to Better Inform Investments in State Facilities".

Thank you for providing the Department of Administrative Services (DAS) with the audit report. We appreciate the work of the audit team in reviewing the progress that has been made over the last seven years and the recommendations for improving the facility planning process in Oregon. In many cases, DAS agrees with the recommendations from the audit team and looks forward to continued progress in this area.

In particular, the audit team has made several recommendations related to the availability of information presented to the Capital Planning Advisory Board and the recommendations made by the Board to the DAS Director. DAS agrees with those recommendations and will make appropriate adjustments during 2020.

Below is our detailed response to each recommendation in the audit.

### RECOMMENDATION 1

Create a statewide plan that makes clear the purpose and value of the statewide facility planning process and takes into account the risks in the state's facility portfolio, including addressing deferred maintenance and capital renewal needs.

- a. Include in the plan the vision, measurable objectives, and strategies for achieving objectives. Objectives should focus on statewide long-term needs and concerns of which decision-makers should be aware.
- b. Develop key performance measures that align with the plan's objectives and strategies.
- c. Make the plan available to legislators and the public.

Agree or Disagree with  
Recommendation

Target date to complete  
implementation activities

Name and phone number  
of specific point of contact  
for implementation

Neither agree nor disagree	N/A	N/A
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#### **Narrative for Recommendation 1**

Oregon's current decentralized facility ownership system requires each of the 19 owner agencies to develop a strategic framework for their own facility portfolio, including long-range facility maintenance and management plans. DAS' role, as set out in statute, has been to standardize much of the data elements behind these plans to make the work more comparable from one agency to the other.

DAS summarizes the status of each agency's portfolio individually and aggregates the information at a statewide level. This includes the age, size, value, condition and upcoming maintenance needs of the various assets. With this work, the information is available to decision-makers for them to make informed decisions about upcoming capital investments.

Each of the 19 owner agencies set their own long-range plan for their facilities. DAS does not, however, currently set the vision for how the Governor and the Legislature invest resources across agency priorities. By its nature, the budget development process involves elected officials weighing competing priorities and making value judgements on where limited resources should be invested.

While current statute does not direct DAS to set the strategic vision for facility investments across agencies, that could be changed if the Governor and Legislature so desire.

<b>RECOMMENDATION 2</b>		
Consolidate the various criteria used by the CFO staff and management in facility funding decisions, including funding source and the quality of agency project planning, into the planning and prioritization scoring process.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	December 2020	Alice Wiewel 503-383-6513

#### **Narrative for Recommendation 2**

DAS agrees the criteria used by the Capital Planning Advisory Board in making its recommendations to the DAS Director should be consolidated. DAS also agrees that criteria used by the Capital Planning Advisory Board should be clearly articulated to agencies who are presenting to the Board.



**RECOMMENDATION 3**

Separate the scoring and prioritization process for capital renewal and deferred maintenance projects from new and modernization projects so these different types of projects are not directly competing against each other for funding.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	December 2020	Alice Wiewel 503-383-6513

**Narrative for Recommendation 3**

DAS agrees the evaluation of capital renewal and deferred maintenance projects should be evaluated separately from new and modernization projects.

**RECOMMENDATION 4**

Work with the Legislative Fiscal Office to identify and provide key legislative committee members needed comparative data on statewide facility needs.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	June 2021	George Naughton 503-378-5460

**Narrative for Recommendation 4**

DAS already works closely with the Legislative Fiscal Office in providing information when requested. However, DAS will develop a documented plan to proactively provide that information to decisions-makers.

**RECOMMENDATION 5**

Make key outputs of the planning process available to the public, including agency CPAB reports and CPAB meeting minutes.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	September 2020	Alice Wiewel 503-383-6513

**Narrative for Recommendation 5**

DAS agrees it will post CPAB reports and meeting minutes to the Facility Planning Unit website.

**RECOMMENDATION 6**

Seek a legal opinion as to whether DAS' project prioritization list is exempt from public disclosure under ORS 192.355 (1). If not exempt, we recommend DAS release the prioritization list. If the list is exempt, we recommend DAS release the prioritized list after the exemption period has expired.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Disagree	N/A	N/A

**Narrative for Recommendation 6**

DAS does not agree with this recommendation.

**RECOMMENDATION 7**

Work with the Governor and the Legislature to obtain ongoing funding for facility condition assessments to:

- a. Complete assessments for agencies who have not been independently assessed.
- b. Establish a facility condition assessment schedule to ensure that facility data remains up-to- date.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	June 2021	Alice Wiewel 503-383-6513

**Narrative for Recommendation 7**

DAS agrees completing facility condition assessments on all major state facilities is important and should be refreshed on a regular schedule. DAS will request funding for this work as part of its 2021-23 Agency Request Budget. Approval of this request, however, will be subject to the availability of resources and the funding decisions of the Governor and the Legislature.

Please contact Lisa Upshaw, DAS Chief Audit Executive at (971) 719-3114 with any questions.

Sincerely,



Katy Coba

Chief Operating Officer/DAS Director



## **Audit Team**

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## **About the Secretary of State Audits Division**

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### **Oregon Audits Division**

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