

AUDIT PROPOSAL

Reviewing Available Options for Acquiring State Office Space

SOURCE

This audit proposal was requested by Senator Rick Billinger.

BACKGROUND

State agencies have a variety of options to acquire office space. One option for agencies is to use space currently owned by the state. This space is managed by the Kansas Department of Administration through its Office of Facilities and Property Management. For example, they manage and are responsible for the Docking, Memorial, and Curtis office buildings. To use state-owned space, agencies work with the Kansas Department of Administration and pay rent. Rent also covers items like contractual services (like routine maintenance or trash service), cleaning services, office signage, utility costs, and configuration of offices prior to occupancy.

Additionally, agencies may elect to use privately-owned spaces via different leasing mechanisms, including lease agreements or lease purchase agreements. The Kansas Department of Administration assists state agencies in acquiring private spaces in Topeka and throughout the state. Some considerations for using privately-owned spaces include the length of the lease, its market competitiveness, the needs of both the agency and the state, and other associated costs of maintaining the space (such as maintenance or utility costs).

Legislators have expressed interest in understanding the various options for acquiring state office space.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objectives listed below are the questions we would answer through our audit work. The steps listed for each objective convey the type of work we would do. These may change as we learn more about the audit issues.

Objective 1: How much office space is owned or leased by the state and how is that space being used? Our tentative methodology would include the following:

- Work with Department of Administration staff to develop an inventory of state-owned and state-leased office spaces throughout the state. This would include whether the space is leased or owned, how long the lease is, the cost of the lease and what it would cost to break the lease, where the space is located, and any other relevant information.
- Work with the Department of Administration and other agencies as necessary to understand how the space is being used. This would include an estimate of what percentage of the space is occupied full and part time. For any space that is not currently occupied, learn additional information such as why the space isn't occupied and how long it's been unoccupied.

Objective 2: What cost-effective options are available for state agencies to acquire office space in Topeka? Our tentative methodology would include the following:

- Work with Department of Administration staff to develop an understanding of what factors, including costs, they use to determine whether a state agency should lease or purchase property. Additionally, review state law, policy documents, and regulations to determine if there are any specific requirements applicable for acquiring office space.
- Conduct research to determine what options are currently available for acquiring office space. Options should include leasing, purchasing, using state office space, or making a lease-purchase agreement.
- Review the available options to determine which options may be most cost effective. When considering costs, also take into consideration other costs associated with maintaining office space, such as utility or maintenance costs.

ESTIMATED RESOURCES

We estimate this audit would require a team of **3 auditors** for a total of **4 months** (from the time the audit starts to our best estimate of when it would be ready for the committee).