



Facility Utilization Audit

January 9, 2014

The City Auditor's Office completed this project in
Conformance with the *International Standards for the
Professional Practice of Internal Auditing*.

Table of Contents

Executive Summary	<i>i</i>
1.0 Introduction	1
1.1 Background	1
1.2 Scope, Objectives and Approach	2
1.2.1 Scope	2
1.2.2 Objectives	2
1.2.3 Approach	2
2.0 Observations and Recommendations	3
2.1 Facility governance model	3
2.1.1 Owners and Custodians of Facilities	3
2.1.2 Provision and Planning of Space	4
2.2 Facility Records	5
3.0 Conclusion	7

Executive Summary

The City of Calgary's 2012 financial statements reports \$1.1 billion dollars of buildings with approximately 80% of this falling under the City Manager's accountability.

The objective of the audit was to determine if The City had defined and communicated a governance structure to enable the efficient utilization of facilities.

A second objective, examining if The City holds accurate and timely information to allow it to effectively manage facility utilization and condition, was not performed. The reason for the reduction in scope was due to fundamental recommendations noted at the planning stage. However, this objective will be considered for incorporation in future City Auditor's Office Annual Audit Plans, once the recommendations in this report have been successfully implemented.

We defined facilities as permanent buildings with an acquisition value of greater than \$50,000. All facilities, except social housing, falling under the accountability of the City Manager were included within the scope of the audit. Facilities owned by related City entities, such as Calgary Parking Authority and Calgary Police Service, were excluded.

Interviews were conducted with nine Business Units across the Corporation. These Business Units owned the majority of the buildings. We also reviewed relevant documentation such as policies, and previous internal and external studies from 2002 - 2012.

Based on information obtained during planning, we observed a lack of an overall facility governance model and central repository of facility data. To address these areas we recommended The City:

1. Define and implement a model for the governance of its facility portfolio. This included defining key roles, responsibilities and accountabilities for the various functions related to facilities and space, establishing policies and decision making structures and a funding model.
2. Determines the data that needs to be collected on a centralized basis to manage its facility portfolio at a corporate level along with responsibilities for its quality and reporting.

The audit identified examples of collaboration between some Business Units resulting in more efficient use of facility space. Overall we found The City lacks governance structures for corporate-wide planning and utilization of facilities. Implementing robust governance structures will allow the Corporation to manage facilities as a strategic resource, further improving efficiency. Management has accepted both of the recommendations and has developed detailed action plans to address each.

1.0 Introduction

This audit was undertaken as part of the City Auditor's 2013 approved Audit Plan.

1.1 Background

The City of Calgary's 2012 audited financial statements reported buildings with a net book value¹ of \$1 billion, including related entities e.g. Calgary Parking Authority and Calgary Police Service. The value of buildings that fall directly within the accountability of the City Manager is approximately \$0.8 billion. It should be noted that the financial statement value, based upon depreciated historical cost, is significantly less than the replacement value of these assets. For example, in 2012 Corporate Properties & Buildings valued their buildings alone at \$1.7 billion.

Individual City Business Units consider that they "own" buildings based upon the fact that they historically had funding to acquire a building. The largest City Business Unit owners of property are shown below.

Business Unit	Net Book Value \$000s	% of City Buildings (excluding CPS and related entities)
Corporate Properties & Buildings	188,176	23%
Transit	147,058	18%
Fire	145,454	18%
Office of Land Servicing & Housing	116,440	14%
Recreation	101,855	12%
Parks	77,786	9%
Water	37,992	5%
Other	14,892	2%
Total	829,653	100%

Table 1: Business Units owning The City's buildings. (Source: Internal schedules supporting 2012 financial statements)

As shown in the table above Corporate Properties & Buildings own less than 25% of all City of Calgary Buildings. Some buildings owned by individual Business Units are specialized such as fire stations and recreation centres, whereas other buildings are more generic, such as office space.

¹ Net book value is the cost of an asset less accumulated depreciation. Depreciation is the systematic and rationale method for allocating the cost of an asset over its useful life.

1.2 Scope, Objectives and Approach

1.2.1 Scope

We defined facility for the purpose of this audit as permanent building structures such as offices, garages, parkades, warehouses, and recreational facilities intended to shelter persons and/or goods, machinery, equipment and working space. This included heritage buildings that are used for administrative or operational purposes. Small structures, with an acquisition value of less than \$50,000, and social housing were excluded from the audit scope. We also excluded facilities owned by City related entities such as Calgary Parking Authority and Calgary Police Service.

1.2.2 Objectives

Our audit objective was to assess if The City's governance of buildings is defined and communicated. This objective was assessed by examining if administration policy has defined responsibilities and accountabilities for:

1. Owners and custodians of facilities,
2. Provision and planning for facilities, and
3. Maintaining records and reporting on the facility portfolio.

We originally planned to additionally examine if The City has accurate information to effectively manage facility utilization and condition. However, given that a centralized repository was not in place, nor were there clear roles and responsibilities to manage the utilization of all facilities, we decided to postpone assurance on this objective testing until governance recommendations were implemented to support detailed testing. We will reassess the scope exclusion in future City Auditor's Office Annual Audit Plans.

1.2.3 Approach

Our audit approach included:

- Conducting interviews with staff responsible for facilities in nine Business Units. Seven out the nine Business Units selected were major facility owners, owning 99% of the net book value of City buildings (*see Table 1*), with the remainder having none or limited facility ownership.
- Reviewing relevant policies, procedures, previous studies and reports to Council.

2.0 Observations and Recommendations

2.1 Facility Governance Model

The City lacks an overall model for governance of its facility portfolio. Responsibilities for buildings are not clearly designated to functions and roles within The City. This observation is based upon an examination of responsibilities and accountabilities for: (1) owners and custodians of facilities, and (2) provision and planning for facilities.

2.1.1 Owners and Custodians of Facilities

The City has informal concepts of ownership and custodianship. Although The City is ultimately the owner of all buildings, individual Business Units consider that they own a building if they originally had the funding to acquire a facility. Custodians of buildings are those Business Units that occupy a building even though they are not the Business Unit owner.

The majority of the Corporation's facilities are not owned by Corporate Properties & Buildings (CPB, see Table 1). Business Units may own facilities due to their specialized nature or historically they had the necessary funding to purchase facilities. Other Business Units are custodians of space provided by other Business Units or leased from the private sector.

We did not identify any formal definition of "owners" or "custodians" stating roles and responsibilities. Despite the lack of clear roles we did note examples of Business Units working with CPB to efficiently use the Corporation's space. For example, Waste & Recycling Services is moving from leased private sector accommodation at Southport Tower (SPT) to available space in CPB owned Dartmouth Place, thereby reducing The City's leased space costs. However, defining these roles, along with relevant decision making structures, will help clarify expectations and responsibilities.

Defined facility roles should be supported by an agreed corporate facility funding model. Currently, the City has in place a variety of approaches, which include:

1. The requirement for Business Units to budget for both a onetime capital charge and on-going operating costs for new positions. This funding supports the corporate accommodation program.
2. A mixture of internal charging arrangements. Business Units who are self-supported or a utility, and occupy a CPB space, are charged a market based lease; non-revenue generating Business Units are not charged.
3. A Business Unit by Business Unit approach for obtaining funding for facility maintenance and repairs.

2.1.2 Provision and Planning of Space

There is an expectation from Business Units that Corporate Properties & Buildings (CPB) plan and provide space, including facilities for the Corporation. However, CPB provide these services without any formal written mandate.

In the absence of this mandate CPB has informally partnered with Business Units to obtain input for accommodation plans. CPB also has been able to work with Business Units to provide longer term accommodation solutions, such as Operational Workplace Centres and Ad Valorem Place.

Nevertheless, this lack of formal mandate increases the risk of less efficient utilization of space for the following two reasons. First, Business Units may not always inform CPB of growth in advance, which could result in unplanned space requests with short lead times. Second, CPB lack the ability to enforce standards or manage the facility portfolio for the benefit of the Corporation.

Definition of roles (2.1.1) and mandates (2.1.2) form the basis of a corporate model of facility governance that can then be implemented across the Corporation. The City's Administrative Leadership Team (ALT) will need to define and implement this model, since facility ownership is spread across multiple City Business Units.

A 2001 internal audit report on Managing Maintenance of Facilities/Buildings also identified a lack of definition of leadership, coordination, relationships and expectations regarding facility maintenance. These recommendations have not yet been fully addressed by The City. Given the value of facilities to The City, we believe that this issue remains important, and have therefore raised a recommendation below regarding facility governance.

Recommendation 1

The City Manager direct Corporate Properties and Buildings on behalf of the Administrative Leadership Team (ALT) to define and implement an improved building and space governance model. This includes:

1. A policy communicating:
 - A framework for key decisions, such as: owning or leasing space; planning for and funding future facility needs; and integration of key workplace strategies, such as Tomorrow's Workplace.
 - Roles and responsibilities, including the mandate of the corporate facilities group.
2. Processes for monitoring compliance with the policy.

Management Response

Agreed

Action Plan	Responsibility
<ul style="list-style-type: none"> i. The Administrative Leadership Team (ALT) will direct Corporate Properties & Buildings (CPB) to bring a report to ALT that addresses the audit findings on a building and space governance model including items 1 and 2 noted above. ii. ALT will decide and give direction on an appropriate governance model, including the effort and funding required for implementation and deliverable timelines. 	<p><u>Lead:</u> ALT</p> <p><u>Support:</u> Director, CPB</p> <p><u>Completion Date:</u> January 30, 2014</p>

2.2 Facility Records

The following table summarizes the types of facility records we identified during our audit:

Record Type	Attributes Captured	Corporate Wide
Records Kept by Facility Owning Business Units	Varies based upon the needs of the Business Unit but typically captures addresses, year built and area.	No
Financial Accounting Tangible Capital Asset	These records capture historical cost, accumulated depreciation and net book value of buildings (and their components) for external financial reporting.	Yes
Building Repository Project	Currently under development but contains non-validated higher level attributes, for example address.	Yes (also includes non-City owned buildings within Calgary)

Table 2: Summary of building records existing within The City.

Table 2 demonstrates that there is currently no single source of data across the Corporation or requirements for the consistent collection of data by Business Units that could be used to efficiently manage The City's facility portfolio. A centralized database could help identify available space, facilitate monitoring of compliance with policy and would provide the data to plan for space corporately.

Recommendation 2

The City Manager direct the Administrative Leadership Team (ALT) to define the data that needs to be collected on a centralised basis to efficiently and effectively manage its facility portfolio at a corporate level. It should define roles and responsibilities for reporting the data, ensuring its quality and analyzing it to facilitate decision making on space utilization at a corporate level.

Management Response

Agreed

Action Plan	Responsibility
<ul style="list-style-type: none"> i. ALT will define the objectives for the efficient and effective use of The corporation's facility portfolio. ii. The City Manager will direct CPB to report to ALT on the facility and space data that would be of value in managing the Corporation's facility portfolio at a corporate level including potential solutions for a corporate database, roles and responsibilities and accountabilities for managing the data, analyzing the data, reporting the findings and for making decisions regarding efficient use of the Corporation's facilities. iii. The Administration will bring a report to Council regarding the amount of effort and resources required for implementation of the Auditors recommendations. 	<p><u>Lead:</u> ALT</p> <p><u>Support:</u></p> <ul style="list-style-type: none"> i. CPB ii. Accommodation & Infrastructure Steering Committee iii. CPB, GM Corporate Services <p><u>Completion Date:</u></p> <ul style="list-style-type: none"> i. June 30, 2014 ii. June 30, 2014 iii. June 30, 2014

3.0 Conclusion

The City lacks the governance structures to manage facilities as a strategic resource across the Corporation for two related reasons. First, the roles and mandates of the Corporate Properties & Buildings (CPB) group, building owners and building custodians are not defined to the extent that any one area is responsible at a corporate level for the buildings and space. A second related reason is the Corporation does not have a single database on corporate building and space utilization allocation and management.

We identified that, despite these limitations, Business Units are working with CPB in manners that would lead to more efficient facility use. However, forming governance structures would allow the Corporation to plan and deliver facilities as a strategic resource generating further efficiency improvements.

Acknowledgement

We would like to thank the staff across The City for their assistance and support throughout this audit.