



## PERFORMANCE AUDIT REPORT

### Department of General Services Including the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee

*August 2019*

**Justin P. Wilson**  
*Comptroller of the Treasury*



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August 21, 2019

The Honorable Randy McNally  
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The Honorable Bill Dunn  
Interim Speaker of the House of Representatives  
The Honorable Kerry Roberts, Chair  
Senate Committee on Government Operations  
The Honorable Martin Daniel, Chair  
House Committee on Government Operations  
and  
Members of the General Assembly  
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and  
The Honorable Christi Branscom, Commissioner  
Department of General Services  
22<sup>nd</sup> Floor, William R. Snodgrass Tennessee Tower  
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Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Department of General Services, the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee for the period August 1, 2016, through May 31, 2019. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, *Tennessee Code Annotated*.

Our audit disclosed certain findings, which are detailed in the Audit Conclusions section of this report. Management of the Department of General Services and the Central Procurement Office have responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the Department of General Services, the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee should be continued, restructured, or terminated.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA, Director  
Division of State Audit

DVL/jw  
19/052



Division of State Audit

## Department of General Services

Including the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee

Performance Audit

August 2019

*Our mission is to make government work better.*

## AUDIT HIGHLIGHTS

### *Department of General Services' Mission*

*Serving as a valued business partner delivering strategic general services for State government.*

### *State Procurement Commission's Mission*

*To promote the efficient, fair, transparent, timely, and cost-effective procurement of goods and services and ensure proper management of contracts between proposers and the various departments, agencies, and commissions of the State of Tennessee with respect to procurement decisions.*

We have audited the Department of General Services, the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee for the period August 1, 2016, through May 31, 2019. Our audit scope included a review of internal controls and compliance with laws, regulations, policies, procedures, and provisions of contracts or grant agreements in the following areas:

- the Central Procurement Office's (CPO) responsibilities for tracking the state's grant recipients and subrecipients and related expenditures;
- the state's procurement entities' statutory responsibilities relating to procurement process oversight, membership, meeting frequency, and quorum;
- the State of Tennessee Real Estate Asset Management Division's (STREAM) responsibilities for leases and monitoring the state's facilities management contract requirements involving monthly reporting and property inspections;
- the Surplus Property program; and
- the department's staffing levels and the impact of turnover on the department's operations.

**Scheduled Termination Date for the  
Department and Related Entities:**

June 30, 2020

## KEY CONCLUSIONS

### FINDINGS

- As noted in the prior audit, the Central Procurement Office has not implemented a sufficient and effective process to identify all grant recipients and subrecipients including all relevant expenditures to ensure all entities receive the federal and state required audits (page 14).
- As noted in the prior audit, the State of Tennessee Real Estate Asset Management Division did not maintain all required lease documentation (page 30).

### OBSERVATIONS

The following topics are included in this report because of their effect on the operations of the department, the State Procurement Commission, the Advisory Council on State Procurement, the State Protest Committee, and the citizens of Tennessee:

- The State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee have not implemented a written conflict-of-interest policy for their voting members (page 25).
- The Advisory Council on State Procurement has two unfilled vacancies since 2017; in addition, one non-voting member has only attended 2 of 13 meetings (page 25).
- The State of Tennessee Real Estate Asset Management Division should continue improving its processes to manage lease expirations (page 34).

### MATTER FOR LEGISLATIVE CONSIDERATION

The following topic involves a matter for the Tennessee General Assembly to consider and is included in this report because of its effect on the operations of the State Protest Committee and the citizens of Tennessee:

- To correct the State Protest Committee's appearance of a conflict-of-interest as written in Section 4-56-103(b)(3), *Tennessee Code Annotated* (page 26).

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# INTRODUCTION

## AUDIT AUTHORITY

This performance audit of the Department of General Services, including the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee was conducted pursuant to the Tennessee Governmental Entity Review Law, Title 4, Chapter 29, *Tennessee Code Annotated*. Under Section 4-29-241, the department and its related entities are scheduled to terminate June 30, 2020. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the department and entities and to report to the Joint Government Operations Committee of the General Assembly. This audit is intended to aid the committee in determining whether the Department of General Services, including the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee, should be continued, restructured, or terminated.

Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury, or his designee. Those responsibilities include serving as a member of the State Procurement Commission, the Advisory Council on State Procurement, and the State Building Commission. We do not believe that the Comptroller's service in these capacities affected our ability to conduct an independent audit of the department and its related entities.

## BACKGROUND

Created by the General Assembly in 1972, the Department of General Services provides a broad range of services to other state agencies and departments across the state. Its mission is to serve as a valued business partner delivering strategic general services for state government. As described in Section 4-3-1103, *Tennessee Code Annotated*, the department is responsible for

- coordinating and administering the state's purchases;
- managing the state's real estate and personal properties;
- providing printing and document services;
- managing the motor vehicle fleet;
- storing and removing surplus property;
- providing postal services;
- providing general public works services; and
- providing state agencies additional support services that are not assigned by law to specific departments.

The department's organizational chart is on page 8.

The department's organizational structure and its relationship to other procurement-related entities are described on the following pages.

## **Commissioner's Office**

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### Office of General Counsel

The Office of General Counsel provides legal advice to the Commissioner and all divisions of the department on a variety of legal matters, such as

- representing the department in matters with outside parties and other governmental agencies and officials;
- ensuring the department is in compliance with state statutes, rules, regulations, and policies;
- providing guidance and support to all of the department's attorneys;
- assisting in the development of requests for proposals<sup>1</sup> and defending contract protests; and
- pursuing and collecting monetary damages from claims involving state personal and real property.

In this office, the Director of Legislative Affairs serves as the department's Legislative Liaison and handles legislative matters as they arise.

### Office of Internal Audit

The Office of Internal Audit is the independent appraisal function established within the Department of General Services to examine and evaluate departmental activities. The Office of Internal Audit

- conducts limited reviews;
- performs contract compliance audits;
- evaluates the department's Enterprise Risk Management activities to ensure risks are managed appropriately and internal controls are operating effectively;
- conducts special investigations;
- provides advisory services; and
- serves as a liaison to the Office of the Comptroller of the Treasury.

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<sup>1</sup> According to the CPO [Central Procurement Office] Glossary, a request for proposal is a written solicitation for written proposals to provide goods or services to the state.

## Chief Strategy Officer

The Chief Strategy Officer assists the Commissioner, the Deputy Commissioner/Chief of Staff, and department management with planning the department's business processes. This includes developing and communicating long-term and short-term strategic initiatives.

## State of Tennessee Real Estate Asset Management Division

The State of Tennessee Real Estate Asset Management Division (STREAM) is responsible for operating, managing, and maintaining the state's real estate assets (except for assets located at the state's higher education institutions) and for handling all issues of land, lease, and construction on behalf of the State of Tennessee. STREAM works under the authority and policies of the State Building Commission to carry out its mission to serve all state agencies with their capital and real estate needs. STREAM's responsibilities are divided into four sections:

### STREAM's Responsibilities

- Tenant Services
- Real Estate Compliance
- Capital Projects and Facilities Management
- Strategy and Workplace Planning

- Tenant Services is the single point of contact for state agencies to obtain customer service. This section ensures that the landlord properly maintains the facilities occupied by state agencies.
- Real Estate Compliance is responsible for ensuring compliance with STREAM legal and policy requirements. This includes monitoring STREAM capital projects, lease transactions, contractor and designer contracts, procurements contracts, environmental and safety issues, and executive branch land transactions.
- Capital Projects and Facilities Management is responsible for managing the capital projects approved by the State Building Commission and obtaining the services necessary (contractors, architects, etc.) to complete a project from approval and pre-design to warranty and completion. It is also responsible for all building maintenance (electrical, plumbing, HVAC, lighting, etc.), janitorial activity, and tenant work requests as well as monitoring the state's facilities management contract.
- Strategy and Workplace Planning is responsible for the state's leasing functions and providing relocation assistance to state agencies. Relocation assistance includes helping with the transition to an agency's new workspace by developing workplace concepts, standards, and workflow processes. This section also administers the state's lease portfolio.

In addition, STREAM oversees the State Office Buildings and Support Facilities Revolving Fund. According to the State's Budget, the fund was established in 1988 to provide for sufficient management of the state's facilities. State agencies are charged rent based on building usage, location, and market rate for the space they occupy; bond issuances also serve as a source of funding. STREAM uses the fund to pay for debt repayment relating to bonds, building maintenance, relocation services, furniture purchases, and leased space, among other items.

## Deputy Commissioner/Chief of Staff's Office

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### Communications

The Office of Communications is responsible for handling all media requests for information on anything pertaining to the department. The Assistant Commissioner serves as the Public Information Officer for the department.

### Chief Data Officer

The Chief Data Officer is responsible for providing business and financial decision-making data for the department's strategic initiatives and finding business solutions for complex fiscal issues for the department's executive leadership team. The Chief Data Officer also develops working relationships with staff and management in other agencies in order to gather and analyze data to complete other projects assigned by the executive leadership team.

### Vehicle and Asset Management

The Vehicle and Asset Management Division is responsible for managing the state motor vehicle fleet, the surplus property program, and the Law Enforcement Support Office (LESO).

- Motor Vehicle Management (MVM) is responsible for the acquisition, management, and disposal of vehicles and motorized equipment used by state agencies. Currently MVM manages a fleet of over 7,000 units, as well as the Enterprise and CarShare program, the State Vehicle Misuse program, the State Employee Shuttle Service, the State Employee Vanpool program, the Executive Motor Pool program, and the Fuelman and Voyager fuel card programs.
- The Surplus Property Program redistributes or administers the sale or disposal of State of Tennessee assets to local governments, nonprofit organizations, and to the general public via online auction. Redistribution avoids premature disposal and enables acquisition of items by agencies at a cost they can afford.
- The Department of General Services' Vehicle and Asset Management Division administers the National Defense Authorization Act's 1033 Program. The act authorizes the Secretary of the U.S. Department of Defense (DOD) to transfer DOD's excess personal property to local law enforcement agencies with special emphasis given to counter-drug and counter-terrorism agencies. The DOD's Defense Logistics Agency established the Law Enforcement Support Office (LESO) to exclusively work with law enforcement. Eligible law enforcement agencies may participate in this program by paying a fixed fee based on the number of POST-sworn<sup>2</sup> officers and

#### Vehicle and Asset Management's Responsibilities

- Motor Vehicle Management
- Surplus Property Program
- Law Enforcement Support Office (LESO)

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<sup>2</sup> POST stands for Tennessee's Peace Officer Standards and Training Commission.

having a current State Plan of Operation and application for participation on file with the division's LESO Program Office.

## Document Solutions

Document Solutions provides all state agencies with solutions to their document needs. This division provides printing, graphic-design, and photographic services to state and local governments and to Tennessee nonprofit organizations. The division also operates a warehouse that stores supplies for state agencies and operates a postal services unit.

### Document Solutions' Responsibilities

- Printing Services
- Design and Video Services
- State Photographers
- Forms and Publications
- Mailing Services
- Warehousing and Distribution
- Scanning Operations

- Printing Services is responsible for the in-house printing needs of state government. These services are also available to city and county governments, as well as Tennessee nonprofit organizations. Staff print government documents such as certificates, licenses, and child support notifications, as well as other documents including manuals, brochures, newsletters, annual reports, letterhead stationery, envelopes, mailers, training materials, and posters.
- Design and video services are available to all state agencies, city and county governments, and Tennessee nonprofit organizations. Designers in this section aid agencies in developing and producing graphic items such as brochures, training manuals, signs, billboards, and magazine advertisements. Photographers are available to state agencies either in a studio or on location for special events, photo shoots, and executive portraits.
- The Forms and Publications program is responsible for approving all forms and publications used by executive branch agencies.
- Mailing Services provides centralized mail services for state agencies and commissions in Davidson County and offers the following services:
  - United States Postal Service Post Office branch operations located in the William R. Snodgrass Tennessee Tower;
  - delivery of intra-government and incoming mail;
  - security processing of government mail;
  - processing of outgoing mail;
  - mail piece design; and
  - barcoding of first-class mail.
- Warehousing and Distribution is a centralized supply operation that purchases, warehouses, and distributes forms, envelopes, and other materials essential to the operation of agencies across the state.

- Scanning Operations can convert paper or microfilm images to digital for state agencies as well as city and county governments and Tennessee nonprofit organizations.

### Office of Financial Management

The Office of Financial Management, overseen by the Chief Financial Officer, is responsible for coordinating budget activities for the Department of General Services and for providing accurate, clear, and concise information through sound budgetary analysis and fiscal reporting. The goal is to facilitate management's decision-making by providing relevant, appropriate, and timely information to the department's leadership team. Furthermore, this office is responsible for oversight of attendance and leave transactions and employee payroll processing for the Department of General Services.

See Appendix 1 on page 42 for the department's business units.

### Office of Administrative Services

The Office of Administrative Services provides the department's centralized procurement support through Edison, the state's accounting system. Staff also audit, upload, and process all of STREAM's monthly lease payments; provide centralized support for vendor billings; and provide governance for key department contracts.

## **Procurement-Related Entities**

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### The State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee

Although not under the department's supervision, the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee are part of the state's procurement process, which is the department's responsibility. For more information on these entities, see page 22.

### Central Procurement Office

Administratively attached to the Department of General Services, the Central Procurement Office was created by Section 4-56-104, *Tennessee Code Annotated*, to streamline and centralize procurement functions in an effort to create cost savings and efficiencies while ensuring transparency and accountability in the procurement and contracting process. The office is headed by the Chief Procurement Officer, who is also a member of the Commissioner of the Department of General Services' executive team. All procurement-related functions, however, are solely the responsibility of the Chief Procurement Officer.

The office also operates the Governor's Office of Diversity Business Enterprise, which assists state agencies and departments in establishing relationships with small, minority-owned, women-owned, service-disabled veteran-owned, and other persons with disabilities-owned businesses. The Governor's Office of Diversity Business Enterprise was not part of the scope of this audit.

## **Assistance from Other State Agencies**

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The Department of General Services (DGS) contracts with the Department of Finance and Administration (F&A) for general accounting functions, such as recording accounting transactions, reviewing and approving DGS's state payment card purchases, maintaining accounts receivables, monitoring collection efforts, and determining monthly agency cost allocations and labor distributions. F&A's Strategic Technology Solutions provides DGS with computer workstation support.

The Department of Human Resources (DOHR) oversees the human resources and talent management roles for DGS, and DOHR staff are housed with DGS.

## **Revenues and Expenditures<sup>3</sup>**

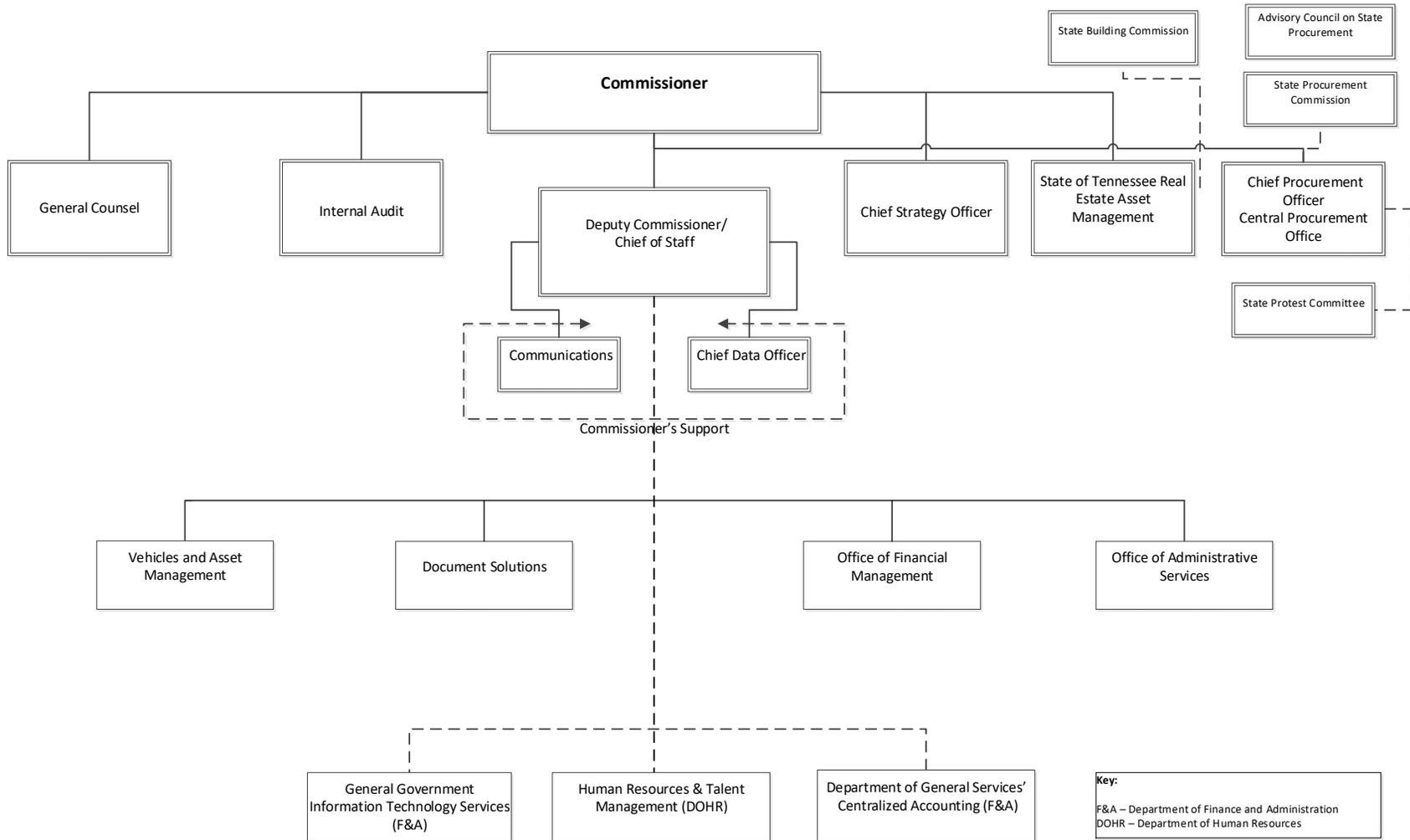
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For information relating to the department and related entities' financial information for fiscal years 2017 through 2019, see Appendix 3 on page 45 for the department's information and Appendix 4 on page 47 for the State Office Buildings and Support Facilities Revolving Fund.

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<sup>3</sup> Includes State Procurement Commission, Advisory Council on State Procurement, and State Protest Committee expenses.

**Department of General Services**  
**Organizational Chart**  
 April 2019



Source: Department Management.

## AUDIT SCOPE

We have audited the Department of General Services, the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee for the period August 1, 2016, through May 31, 2019. Our audit scope included a review of internal controls and compliance with laws, regulations, policies, procedures, and provisions of contracts or grant agreements in the following areas:

- the Central Procurement Office's responsibilities for tracking the state's grant recipients and subrecipients and related expenditures;
- the state's procurement entities' statutory responsibilities relating to procurement process oversight, membership, meeting frequency, and quorum;
- the State of Tennessee Real Estate Asset Management Division's responsibilities for leases and monitoring the state's facilities management contract requirements involving monthly reporting and property inspections;
- the Surplus Property program; and
- the department's staffing levels and the impact of turnover on the department's operations.

The Department of General Services and Central Procurement Office management are responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, policies, procedures, and provisions of contracts and grant agreements.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient appropriate audit evidence to support the conclusions in our report. Although our sample results provide reasonable bases for drawing conclusions, the errors identified in these samples cannot be used to make statistically valid projections to the original populations. We present more detailed information about our methodologies in Appendix 6 on page 50.

We conducted our 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.

## PRIOR AUDIT FINDINGS

### REPORT OF ACTIONS TAKEN ON PRIOR AUDIT FINDINGS

Section 8-4-109(c), *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the actions taken to implement the recommendations in the prior audit report. The prior audit report was dated November 2016 and contained six findings. The Department of General Services, including the Central Procurement Office, filed its report with the Comptroller of the Treasury on May 1, 2017. We conducted a follow-up of the prior audit findings as part of the current audit.

### RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of General Services resolved the previous audit findings regarding

- STREAM executive leadership's responsibilities over establishing and updating processes, policies, and procedures and providing adequate direction to staff relating to the state leasing processes;
- STREAM's responsibilities to ensure that Jones Lang Lasalle submitted all monthly reports and performed property inspections as required by the state's facilities management contract; and
- the surplus property program's backlog of surplus property retirements in Edison.

### PARTIALLY RESOLVED AUDIT FINDINGS

The prior audit report also contained findings stating that

- the Central Procurement Office (CPO) did not develop an effective method to identify and track the state's grant recipients and subrecipients and their expenditures;
- when executing lease procurements, STREAM management did not comply with State Building Commission Policy or department policies and procedures; and
- STREAM's lease management team failed to effectively track and address the state's leases before they expired.

In our follow-up work, the current audit disclosed that

- CPO has not implemented a sufficient and effective process to identify all grant recipients and subrecipients, including all relevant expenditures; and

- STREAM management made significant changes to the lease procurement process; however, the lease procurement files did not contain all required lease documentation.

We repeated these findings in the applicable sections of this report. Furthermore, we found that STREAM improved its processes to track and address the state’s leases before they expired; however, in the applicable section of this report, we reported as an observation that STREAM management should continue improving its process to manage lease expirations.

## AUDIT CONCLUSIONS

### STATE’S SUBRECIPIENT MONITORING RESPONSIBILITIES

#### Subrecipient Monitoring Overview

According to federal regulations, a subrecipient is a non-federal entity that receives federal grant funds from a pass-through entity, such as a state agency, to carry out part of a federal program. Subrecipients

- may determine who is eligible to receive federal assistance;
- may make programmatic decisions;
- must comply with applicable federal program requirements related to the federal grant award; and
- use federal funds to provide benefits that are specific in public purpose, such as feeding under-resourced children through the Summer Food Service Program for Children, as opposed to merely providing ancillary goods or services to benefit the pass-through entity.

Subrecipients’ performance is also measured in relation to whether they met federal program objectives.

#### State’s Grants Management Responsibilities

##### *Central Procurement Office*

Pursuant to “Audit Requirements,” Title 2, *Code of Federal Regulations* (CFR), Chapter 200, Section 501, a non-federal, not-for-profit entity (a subrecipient or direct recipient of grant funds) that spends \$750,000 or more in federal funds during the entity’s fiscal year must receive a Single Audit. Management of the granting state agency (also referred to as the pass-through entity) can also require subrecipients to obtain independent audits as a requirement of the grant agreement. The federal guidance does not apply to for-profit entities, but it does state “the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients.”

Tennessee's state agency grants management leaders use the same definition of subrecipients and have also elected to follow the above-referenced federal audit guidelines to require audits of the entities who meet the audit threshold of \$750,000 through all state funds or a combination of state and federal funds. In order to determine if an entity meets the \$750,000 audit threshold, the state (the Central Procurement Office) must determine all types of funding assistance (federal and state) that the entity receives from federal and state grantors.

According to 2 CFR 200.40, federal financial assistance can be

- grants;
- cooperative agreements;
- non-cash contributions or donations;
- direct appropriations;
- food commodities; and
- other financial assistance.

At the inception of the Single Audit Act in 1984, the state's Department of Finance and Administration (F&A) provided oversight to state agencies who received federal grants to ensure the federal compliance requirements were met. In coordination with F&A, the Office of the Comptroller of the Treasury provided assistance to state agencies by tracking the federal and state expenditures passed from state agencies to subrecipients to ensure that the subrecipients obtained both the federal and state required audits.

With the 2009 implementation of Edison, the state's accounting system, the Office of the Comptroller asked that F&A and the Edison implementation team ensure that the state had the capability to track expenditures across all state agencies to determine if the state's subrecipients met the federal (and state elected) program expenditure threshold, thereby requiring the subrecipients to obtain a Single Audit. This expenditure data was critical for state agencies who passed funds to subrecipients so the state agencies could ensure their subrecipients obtained Single Audits as required. The Office of the Comptroller of the Treasury's Division of Local Government Audit also needed the expenditure data to fulfill its responsibility to ensure that "municipalities, public internal school funds, certain quasi-governmental entities, utility districts, housing authorities, charter schools, and certain nonprofit and for-profit organizations receiving funds from the State of Tennessee are audited as required by state statute." In 2012, state statute transferred the grants management and tracking responsibility to the Central Procurement Office (CPO).

In order to carry out the requirement promulgated in Section 4-56-105(4)(C), *Tennessee Code Annotated*, to establish a central grants management process to identify grant opportunities and a database of grant recipient and subrecipient information, CPO, in partnership with F&A and the Comptroller of the Treasury, determined that developing a query to extract subrecipient payment information from Edison was the best method to meet the requirement. The Edison query would allow CPO to extract a list of federal grant subrecipients and related federal and state expenditures granted to these entities in a given fiscal year. The Chief Procurement Officer assigned CPO's Grants Program Manager the task of helping to develop the Edison query.

*Pass-Through State Agencies*

Second Harvest Food Bank of Middle Tennessee	
Fiscal Year 2018 Federal Funding by Federal and Pass-Through Entities	
Agency	Amount
U.S. Department of Agriculture	\$ 1,042,621
TN Department of Human Services	\$ 326,161
TN Department of Agriculture	\$ 2,558,795
Northwest TN Development District	\$ 144,500
United Way of Middle Tennessee	\$ 69,314
<b>Total</b>	<b>\$ 4,141,391</b>

Source: Second Harvest Food Bank of Middle Tennessee Single Audit Report for fiscal year 2018.

Concerning subrecipients’ compliance with federal requirements, 2 CFR 200.331(a) describes the pass-through state agencies’ responsibilities. The regulation requires state agencies to assess the risk of federal noncompliance for each subrecipient for internal monitoring purposes by considering several factors, one of which is the results of external audits, including the subrecipients’ Single Audit when they met the expenditure threshold. If a subrecipient received audit findings in the Single Audit that affect federal programs, state agencies could consider the subrecipient high risk, thereby increasing the number of times a state agency monitors the subrecipient. In order for state agencies to know if subrecipients require a Single Audit, they must know the total amount of federal and state assistance each subrecipient received. For example, the Second Harvest Food Bank of Middle Tennessee received over \$4 million in federal funding from several federal and state agencies and from a nonprofit organization. Because the state, through its Tennessee Department of Human Services (DHS), provided less than \$750,000 in either federal pass-through funds, or state, or a combination of both to Second Harvest, it appears to DHS management that Second Harvest did not require an audit. However,

the state must rely on CPO to help determine if Second Harvest met the \$750,000 threshold through other state agencies or other direct federal grants because agencies cannot see other state agencies’ expenditures in Edison and direct federal grants to subrecipients are not reported in Edison.<sup>4</sup>

Prior Audit Results

In the November 2016 performance audit report, we found that CPO had not developed an effective method to identify and track the state’s grant recipients and subrecipients and their expenditures. We found that in 2013, Edison staff developed a query and placed it into Edison’s user testing environment so that CPO staff could determine if the query’s results met CPO’s and state agencies’ needs. In March 2016, the query was still in Edison’s user testing environment when F&A initiated an Edison system upgrade, and the upgrade process unintentionally deleted the query. Once the error was discovered, CPO’s Edison Content Team developed three separate Edison queries to extract a list of subrecipients potentially subject to a Single Audit for fiscal year

<sup>4</sup> We focused our audit work on CPO’s ability to identify and track grant recipient and subrecipient expenditures that flowed through the state; however, federal regulations require that state agencies consider all federal financial assistance received by a subrecipient when determining if an entity meets the threshold for a Single Audit. CPO does not have a process in place to request direct federal funding information from subrecipients.

2016. On September 30, 2016, the CPO Grants Program Manager provided us with the list of subrecipients and their expenditures. Based on our preliminary review of the list at the time, we determined that the list was incomplete.

## **Audit Results**

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**Audit Objective:** In response to the prior audit finding, has the Central Procurement Office (CPO) established an effective method to identify and track the state’s grant recipients and subrecipients and their expenditures so that the state can comply with both the federal audit requirement guidance and the state’s own internal audit plan for the state’s subrecipients?

**Conclusion:** While the Central Procurement Office developed Edison queries to identify and track the state’s grant recipients and subrecipients and their expenditures, CPO’s process does not produce complete or validated results, increasing the risk that state agencies may unintentionally fail to verify that subrecipients obtained required audits. See **Finding 1**.

**Finding 1 – As noted in the prior audit, the Central Procurement Office has not implemented a sufficient and effective process to identify all grant recipients and subrecipients including all relevant expenditures to ensure all entities receive the federal and state required audits**

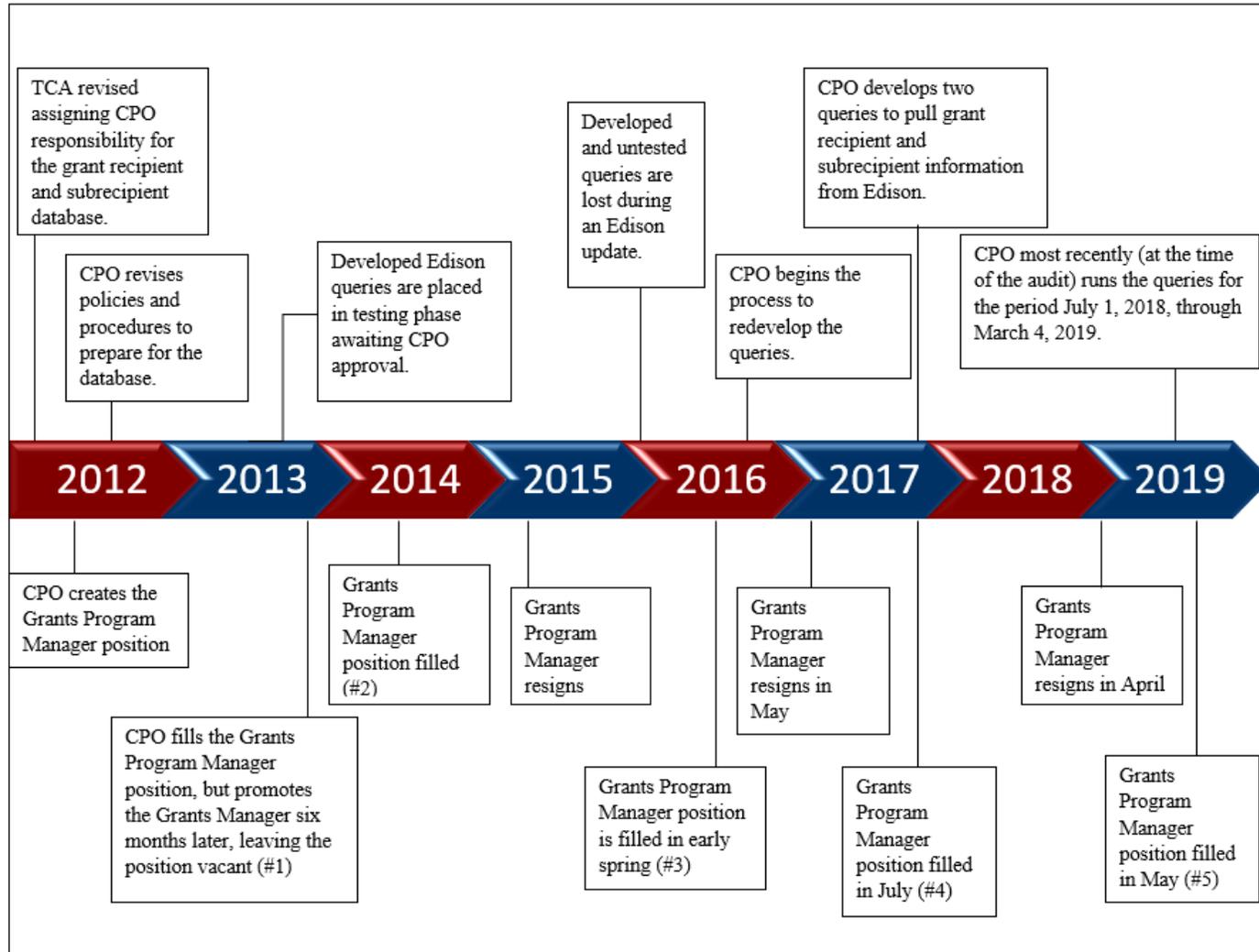
In order to ensure the state can comply with federal audit requirements and also meet its own audit expectations, the Central Procurement Office’s process to identify all grant recipients and subrecipients and the relevant expenditures must be sufficient to provide complete and accurate results. Based on our audit work, although CPO has made progress to compile the necessary information to identify all grant recipients and subrecipients and the relevant expenditures, CPO’s process still is not sufficient to ensure full federal and state audit compliance.

### Current Audit Results

#### *Continued Turnover*

Based on our review and discussions with the Chief Procurement Officer, we found that CPO has had four Grants Program Managers since 2013 and hired its fifth Grants Program Manager in May 2019. Each Grants Program Manager had a background in law, and according to CPO management, each Grants Program Manager left the position to pursue career advancement and/or higher pay. See **Table 1** for a timeline showing the progression of CPO’s efforts to compile expenditure information and the turnover of CPO Grants Program Managers. See **Table 2** for details regarding each Grants Program Manager’s length of service and experience. Management also stated that the CPO’s content team, which is responsible for knowing Edison’s functionalities and processes (including extracting expenditure information), has not experienced significant turnover. While the stability of the content team is important, we believe consistency in the Grants Program Manager position ensures the content team has adequate direction and information to support the mission. CPO management also contributes to the state’s risks of noncompliance with federal and state audit requirements because of the learning curve any new Grants Program Manager would face.

**Table 1**  
**CPO Subrecipient Monitoring Timeline**



Source: Information in timeline obtained from CPO management.

**Table 2**  
**Grants Program Manager Details**

Grants Program Manager	Length of Service in Position (approximate)	Professional Background
1	6 months	Attorney/Law
2	15 months	Attorney/Law
3	15 months	Attorney/Law
4	21 months	Attorney/Law
5 (current)	3 months	Attorney/Law

*Collaboration Efforts Have Been Inconclusive*

The collaboration effort between CPO, the Comptroller of the Treasury, and the Department of Finance and Administration in place at the time of the 2016 performance audit has been inconclusive. Although the partner agencies met with the fourth CPO Grants Program Manager after he began working in 2017, based on discussions with the Office of the Comptroller of the Treasury’s Division of Local Government Audit management, communication between the partnering agencies has slowed significantly since then. In March 2018, Local Government Audit management provided a list of query data recommendations to the CPO Grants Program Manager. The recommendations involved

- including non-cash assistance received, such as commodities;
- excluding Egrands<sup>5</sup> payments, as they are not subrecipient funding;
- excluding Section 8 housing payments<sup>6</sup> to for-profit entities, as they are not subrecipient funding;
- verifying that the Department of Economic and Community Development’s Training Grants<sup>7</sup> were properly reported in Edison; and
- establishing a method to capture direct appropriations and other unique funding arrangements that have audit requirements.

On April 3, 2018, the Grants Program Manager responded to the Division of Local Government Audit regarding these recommendations but did not fully implement them. According to the Grants Program Manager, many of the recommendations would require collaboration with outside agencies to obtain data that was not readily available in Edison, such as the records related to

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<sup>5</sup> Egrands is the Tennessee Student Assistance Awards Program system used to track funding related to scholarships. Egrands payments refer to the scholarships tracked through this system, such as the Hope Scholarship.

<sup>6</sup> Section 8 housing payments funded by the US Department of Housing and Urban Development are rental housing assistance paid to private landlords on behalf of low-income families.

<sup>7</sup> These training grants are part of the FastTrack program administered by the Tennessee Department of Economic and Community Development to assist businesses that are new to or expanding in Tennessee with job training costs. The Comptroller’s Office agreed to a rule exception in 2009 that exempted these training grants from audit requirements because most, if not all, grants were awarded to for-profit companies, who are not subject to Single Audit requirements. The grant contracts still allowed for the state to audit the funds if questions arose.

commodities data housed at the Tennessee Department of Agriculture. At this point, the discussion about the matter ended.

### *Expenditure Collection Issues*

CPO reduced the three Edison queries to two queries in fiscal year 2017; however, we found that Edison does not contain all the data required to create a comprehensive listing of grant recipients and subrecipients, such as the subrecipients' tax status (for-profit vs. nonprofit) and subrecipient fiscal year-ends.<sup>8</sup> Some subrecipient data, such as subrecipient entity relationships,<sup>9</sup> must be evaluated individually to ensure that expenditures are properly combined.

Because the additional subrecipient information must be obtained when agencies award grants, CPO offered training to state agencies to inform them of the additional data needs. However, according to the fourth CPO Grants Program Manager, who was the manager in place during our audit fieldwork, agencies still did not understand the information CPO requested from them, resulting in inconsistency in agency data entry. CPO was unable to validate the data provided and therefore did not add it to the office's query results. Despite knowing the data compiled did not result in a comprehensive list of grant recipient and subrecipient expenditures, the Grants Program Manager did not provide additional, clarifying direction to state agencies to achieve a comprehensive listing. According to CPO management, they interpreted statute to mean they were only responsible for compiling information readily available in Edison.

### Criteria

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (the Green Book) sets internal control standards for federal entities and serves as a best practice for non-federal entities. Green Book Principle 10.01 relating to designing of control activities states, "Management should design control activities to achieve objectives and respond to risks." According to the fourth Grants Program Manager, he reviewed the data once it was compiled and stated that the objective of his review was to ensure the queries produced valid data, such as ensuring dates and monetary amounts appeared in the appropriate columns, and that staff properly compiled the results of the queries; however, the review did not involve evaluating the resulting data. It only included data that agencies needed to ensure compliance with audit requirements, validating the accuracy of the data, or verifying that staff identified all subrecipient entity relationships within the data.

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<sup>8</sup> The calculations to determine if a subrecipient met the \$750,000 threshold are based on expenditures made within the subrecipient's fiscal year, which may be different from the state fiscal year.

<sup>9</sup> Some entities have multiple vendor numbers in Edison. For example, the Wilson County Sheriff's Department, County Clerk, and Trustee's Office may each have a vendor number in Edison; however, their expenditures are all considered part of Wilson County government because they are related entities.

## Effect

Without a comprehensive and reliable listing provided by CPO, the state is at risk of overlooking grant recipients and subrecipients who require an audit or other monitoring, potentially hindering agencies from identifying and addressing subrecipient risks, including the failure to meet program objectives, as well as potential fraud, waste, or abuse.

Federal regulations state that if agencies do not comply with federal requirements, the federal awarding agency may impose consequences, such as additional award conditions or withholding federal funds.

## Recommendation

Central Procurement Office management should continue to develop a sufficient process and implement controls to validate query results and to ensure information obtained from Edison and other sources is complete and accurate and only contains relevant information regarding grant recipient and subrecipient expenditures. CPO management should consider resuming their work with the partnering agencies to address weaknesses within the current grants management process. This work should include developing clear and consistent procedures that agencies can use to identify all grant recipients and subrecipients and track the federal pass-through and state grant payments by the subrecipient's fiscal year to ensure all audit requirements are met. CPO management should strongly consider hiring a grants accountant to assist with the process, given the complexity of determining that grant recipients and subrecipients meet the federal and state audit requirements.

As written, Section 4-56-105(4)(C), *Tennessee Code Annotated*, does not clearly describe the extent of the Central Procurement Office's responsibilities regarding developing and maintaining a central database of grant recipient and subrecipient information, nor does it describe the information the database should contain. CPO's interpretation of the statute is that the office's responsibility only extends to information readily available in the state's accounting records in Edison; however, the accounting records do not contain all of the information agencies need to effectively identify grant recipients and subrecipients for audit and monitoring purposes, and as such, solely relying on Edison is not sufficient.

The Central Procurement Office may wish to consider proposing rules, policies, procedures, and templates to be adopted by the State Procurement Commission to include the full scope of CPO's grants management responsibilities, including

- defining the grant recipient and subrecipient information needed in a central database;
- specifying the extent of CPO's responsibilities to develop and implement this database and ensure the completeness and validity of the information included; and
- specifying the extent of other state agencies' responsibilities to ensure the information they receive from the central database is complete and accurate.

If these changes are not implemented, we will consider proposing a legislative amendment.

## Management's Comment

We concur in part.

We concur in part with the findings and recommendations of the audit. We submit that *Tenn. Code Ann.*, § 4-56-105(4)(C), does not clearly describe the extent of the Central Procurement Office's responsibilities regarding developing and maintaining a central database of grant recipient and subrecipient information, nor does it describe the information the database should contain. Moreover, we submit that Edison and the requirements imposed on subrecipients under Section D.19, of the template grant contract, capture most of the data necessary to ensure State and federal compliance. Notwithstanding the foregoing, the CPO concurs with most of the audit's findings and the recommendations, except as indicated below.

### Collaboration

We concur that the efforts toward collaboration between the Central Procurement Office, the Comptroller of the Treasury, and the Department of Finance and Administration have been inconclusive. While the audit report suggests the last exchange between Local Audit and the Grant Manager concerning suggested changes to the query occurred in or about April of 2018, given the detailed nature of the Grant Manager's response and the lack of reply or follow-up by Local Audit, it was reasonable for the Grant Manager to conclude the matter had been resolved.

On March 2, 2018, the Division of Local Audit sent an email to the Central Procurement Office's Grant Manager concerning observations it had made concerning the subrecipient monitoring list. The Division of Local Audit's email contained the recommendations based on these observations. On April 3, 2018, the Central Procurement Office's Grant Manager provided a detailed response to Local Audit's email explaining the jurisdictional limits of the Central Procurement Office with respect to each of these recommendations as well as system and practical limitations that would pose challenges to implement these recommendations. There was no follow-up response by Local Audit to the Grant Manager's April 3, 2018, email. Based on a lack of response from Local Audit, it was reasonable for the Grant Manager to assume Local Audit's recommendations were resolved.

Since 2016, the Central Procurement Office has sought approval from the Procurement Commission for numerous policy, procedure, template, and model changes related to Grants; implemented Grant User Groups; and has implemented push and pull communication strategies to improve Grant Program Compliance.

Far from the audit report's suggestion that efforts to employ recommendations from Local Audit that were made on March 2, 2018, "ended" sometime in 2018, there have been numerous efforts to improve the grant database and subrecipient monitoring process. Since 2013, Edison has spent approximately three hundred hours of development work to improve Edison's subrecipient monitoring capability. Since 2016, the Central Procurement Office has successfully sought approval of 43 changes to policies, procedures, templates, and models by the Procurement Commission. Many of these changes were substantive changes that related to requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

*Awards*; changes to Policy 2013-007, “Grant Management and Subrecipient Monitoring Policy;” changes to Section 4 of the *Procurement Procedures Manual of the Central Procurement Office* (relating to subrecipients); and changes to contract templates to ensure compliance with State and federal audit requirements. The Central Procurement Office has also conducted Grant User Groups on September 22, 2017, and August 20, 2018. A grant training was provided by the Central Procurement Office on March 12, 2019. Moreover, the Central Procurement Office has also improved push and pull communication with State Agencies through the use of its Mail Chimp service. This innovation has allowed the Central Procurement Office to target communication and to allow subscription based communication for State personnel with a role in grants.

The audit report appears to raise an issue about the number of different grant managers since 2013 and notes that these grant managers have all had a legal background. While we acknowledge that there have been a number of different grant managers since 2013, we do not concur that either the number of grant managers or the fact these grant managers have a legal background increases the State’s risk.

We submit that most of the responsibilities of grant managers involve the review of several thousands of contracts each year and federal and State statutes and regulations. The grant manager position is required to communicate with grantor State agencies and provide guidance and assistance with respect to federal and State law. There has been virtually no gap in employment between grant managers. For the past year or more, there has also been an assistant grant manager to buttress any turnover in the grant manager position. Moreover, the teams around the grant manager position have been static. The same supervisor for the grant manager position has been in place since 2012. The staff attorneys who work with the grant manager have remained the same over this period of time. The content team has also remained static during this time. If anything, hiring a grant manager with a non-legal background would place the State a greater risk.

#### Edison and Current Practices

We submit that the Central Procurement Office currently complies with grantee and subrecipient monitoring requirements through Edison and the establishment of additional requirements imposed on grantees and subrecipients under the terms and conditions of the grant contracts. The Edison system serves as the current database used by the Central Procurement Office to house information regarding grant contracts and direct expenditures from State agencies; however, Edison is not the only tool being used by Central Procurement Office to assist grantor state agencies with their monitoring requirements. The grant contract template requires two audit related documents in Section D.19., the “Notice of Audit Report” and the “Parent Child Form.” The “Notice of Audit Report” requires the grantee to report to the State within 90 days of the grantee’s fiscal year whether or not the grantee is subject to an audit for that year. If the grantee is subject to an audit for that fiscal year, the grantee also must report the amount of federal pass-through funds received from the State, or from any other entity. This would include the amount of funds directly received from the federal government. We submit that his form helps the State to know when a grantee has crossed the audit threshold, especially when the grantee is receiving funds from multiple different State agencies or directly from the federal or State government. In addition, pursuant to Section D.19. of the grant contract template, if a grantee is subject to an audit,

the grantee must obtain the Comptroller's approval before engaging a licensed, independent public accountant to perform the audit.

These additional measures have been implemented as a result of the collaborations between the Central Procurement Office, the Comptroller of the Treasury, and the Department of Finance and Administration to satisfy the requirements as set forth in *Tenn. Code Ann.*, § 4-56-105(4)(C). While the subrecipient monitoring requirements fall on the grantor state agency, these measures ensure federal and State subrecipient monitoring requirements are communicated and achieved.

It should further be noted that for the example used in the audit report finding in reference to Second Harvest Food Bank, where the grantee received money from multiple different federal and State agencies, as well as a third party, the Single Audit requirement would have been identified by the current system described above.

The audit report states that TN Dept. of Human Services would not be able to tell if the Second Harvest Food Bank required an audit because DHS gave \$326,161 to Second Harvest. However, in that example in the audit, Second Harvest also received \$2,558,795 from the TN Dept. of Agriculture. The current Edison query and system would have shown that Second Harvest was subject to a single audit based on their expenditures from the TN Dept. of Agriculture. Moreover, Second Harvest would have been subject to a single audit based solely on their expenditures from either the U.S. Dept. of Agriculture or the TN Dept. of Agriculture. Also, the Notice of Audit Report would have shown the amounts received directly from the federal government, as well as from any third parties.

We concede that Edison is limited to information available to the State and its Agencies. We submit, however, that D.19. allows for the Central Procurement Office to obtain most other information needed to ensure compliance. Nevertheless, the Central Procurement Office will review and improve Section D.19. and other rules, policies, procedures, and templates in light of the issues identified in this audit.

### Conclusion

Further process improvements should be made to further clarify responsibilities, to increase the effectiveness of the current grant management system, and improve grant contract templates. We will review the audit's suggestion to add an additional accounting position to the Grant Management team. We submit that substantial improvements to the overall grant management system and Edison have occurred since 2016. The Central Procurement Office will endeavor to seek additional changes to policies, procedures, templates, and models to more clearly define and delineate the responsibilities between the Central Procurement Office's Grant Management Team and the various agencies with respect to subrecipient monitoring. The Central Procurement Office will also seek greater collaboration with State partner agencies to further improve the data collection process and ensure full compliance with State and federal audit requirements.

## **Auditor Comment**

While management makes assertions in their response with which we disagree, they appear to concur with the Finding and Recommendations. It is the fundamental duty of CPO management, not the auditor, to design and implement the policies, procedures, templates, and models necessary to effectively identify grant recipients and subrecipients.

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## **THE STATE PROCUREMENT COMMISSION, THE ADVISORY COUNCIL ON STATE PROCUREMENT, AND THE STATE PROTEST COMMITTEE**

Title 4, Chapter 56, *Tennessee Code Annotated*, addressing the state's procurement process, established the Central Procurement Office, the Chief Procurement Officer, and three procurement entities:

- the State Procurement Commission;
- the Advisory Council on State Procurement; and
- the State Protest Committee.

Each plays a key role in the procurement process. According to state statute, the three entities provide procurement oversight described on the following pages. These entities are also subject to the provisions of the Tennessee Open Meetings Act, Section 8-44-102, *Tennessee Code Annotated*, which requires them to provide adequate public notice of meetings and fully record meeting minutes, including recording meeting attendance and providing details of actions taken.

### **State Procurement Commission**

#### *Commission Responsibilities and Membership*

Pursuant to Section 4-56-102, *Tennessee Code Annotated*, the State Procurement Commission is responsible for reviewing and approving all proposed policies, procedures, rules, and standards related to procurement. This includes changes to contract templates, grant subrecipient monitoring policy, and the Central Procurement Office's *Procurement Procedures Manual*. According to statute, the commission's three members are

- the Commissioner of the Department of General Services;
- the Commissioner of the Department of Finance and Administration; and
- the Comptroller of the Treasury.

The Governor appoints the commission Chair, and commission members elect a Vice-Chair.

## Meetings

As required by statute, the Chief Procurement Officer maintains the record of all commission proceedings. Central Procurement Office (CPO) staff submit public notices of meetings and an agenda for posting on the [state's webpage](#). Staff video-record meetings and prepare written minutes that document persons present and actions taken. After the commission approves the written minutes at subsequent meetings, CPO staff post the minutes on CPO's website to make them available to the public.

According to the commission's bylaws, the commission is required to meet as frequently as required to elect officers and conduct business. The commission met 12 times between August 18, 2018, and April 1, 2019, with a quorum present at all meetings. The commission discussed and approved various procurement related matters, such as contract template changes, rule exception requests, and procurement policy changes.

## Advisory Council on State Procurement

### *Council Responsibilities and Membership*

The Advisory Council on State Procurement, created by Section 4-56-106, *Tennessee Code Annotated*, is responsible for reviewing and issuing a formal comment on all procurement policies, standards, guidelines, and procedures prior to presentation to the Procurement Commission. Additionally, when requested by the Chief Procurement Officer, the council may conduct studies, research, and analyses, and make reports and recommendations with respect to subjects or matters within the authority and duties of the Chief Procurement Officer. The council has 12 members—5 voting members and 7 non-voting members.

#### Voting Council Members

Chief Procurement Officer  
Two Department of General Services Appointees  
One Department of Finance and Administration  
Appointee  
One Comptroller of the Treasury Appointee

#### Non-Voting Council Members

Two Governor Appointees  
Two Lieutenant Governor Appointees  
Two Speaker of the House Appointees  
One Fiscal Review Chairman Appointee

## Meetings

CPO staff provide meeting agendas and public notices of the council meetings by posting notices on the state's webpage. CPO staff video-record meetings and prepare written minutes that document persons present and actions taken. The council approves the minutes at subsequent meetings and posts them on CPO's webpage to make them available to the public.

State statute requires the council to meet at least twice a year. The council met 5 times in fiscal year 2017; 5 times in fiscal year 2018; and as of April 4, 2019, 3 times in fiscal year 2019, with a quorum of voting members at all meetings. The council discussed and approved proposed revisions to the CPO documents, policies, and rule exception requests.

## State Protest Committee

### *Committee Responsibilities and Membership*

Pursuant to Section 4-56-103, *Tennessee Code Annotated*, the State Protest Committee is a three-member committee responsible for hearing appeals from vendors who disagree with the Chief Procurement Officer's decision related to the procurement process or an intended award of a contract. According to statute, the State Protest Committee consists of the Commissioners of General Services and Finance and Administration and the State Treasurer.

A vendor who decides to file a protest must begin by filing it with CPO. Chapters 8.1 to 8.3 of the *Procurement Procedures Manual of the Central Procurement Office*, available on CPO's website, outline the steps that vendors must take to protest the state's decision to award a contract. After the state announces a notice of award to the intended vendor, a protesting vendor has seven calendar days to file a protest. After the protest is filed, the intended contract awardee has ten calendar days to file a response to the protest, and the protesting vendor has another five calendar days to respond. The Chief Procurement Officer has 60 days to resolve the protest. If the protesting vendor does not agree with the Chief Procurement Officer's decision, the vendor has seven days to appeal to the Protest Committee.

### *Meetings*

Convening as needed, the committee met three times between October 2016 and December 21, 2017, to hear vendor appeals, with a quorum present at all three meetings. To comply with the Tennessee Open Meetings Act, the committee submitted public notice of meetings for posting on the Central Procurement Office webpage. A court reporter provided transcription services for the committee meetings, which are used to prepare the written minutes; the minutes included the persons present and actions taken. The Department of Finance and Administration's General Counsel's office, recordkeeper for the committee, provides the results of the committee's actions to the Central Procurement Office for posting on the CPO's webpage. Based on review of the minutes, the committee denied the vendor's protest, thereby upholding the Chief Procurement Officer's decision, at all three meetings.

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## **Audit Results**

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**Audit Objective:** Did the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee uphold their statutory responsibilities relating to oversight of the procurement process, membership, meeting frequency, member attendance and quorum, and conflicts of interest?

**Conclusion:** Based on audit work performed, the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee upheld their statutory responsibilities relating to oversight of the procurement process, membership, meeting frequency, and quorum. These entities, however, have not adopted a conflict-of-interest policy for voting

members. See **Observation 1**. In addition, the Advisory Council on State Procurement has two non-voting member vacancies, and one non-voting member did not attend meetings consistently. See **Observation 2**.

**Observation 1 – The State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee have not implemented a written conflict-of-interest policy for their voting members**

The purpose of conflict-of-interest policies for governing bodies is to prevent any member’s actual or apparent bias from affecting decision-making, thereby ensuring that the public’s interest is protected. The State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee have not implemented such a policy for their voting members.<sup>10</sup>

According to CPO management, the entities have not implemented policies to govern members’ actions because the voting members are state employees, who are obligated to follow conflict-of-interest disclosures in accordance with their agency’s policy and the Governor’s Executive Order<sup>11</sup> for ethics and disclosures. In our opinion, however, these executive branch policies are applicable to the members’ responsibilities based on their positions at their respective agencies; the hiring authorities’ policies do not apply to their duties as a member of the commission, council, and committee.

Section 4-56-103(b)(2), *Tennessee Code Annotated*, requires voting members of the State Protest Committee to recuse themselves when hearing a protest related to their agency. However, the committee has not developed a written policy to assist a member in determining a potential conflict, although Section 4-56-103(a)(2) provides for the committee to adopt procedures to govern its operations.

The State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee should adopt a conflict-of-interest policy that will foster public trust in the state’s procurement process. The policy should require annual disclosures and include guidance to assist voting members in determining what constitutes a conflict in relation to their duties as members of the commission, council, or committee, and the actions members should take if a conflict arises.

**Observation 2 – The Advisory Council on State Procurement has had two unfilled vacancies since 2017; in addition, one non-voting member has only attended 2 of 13 meetings**

The Advisory Council on State Procurement has two vacancies; both are non-voting members who are appointed by the Speaker of the House. One of these vacancies is due to a member resigning in May 2017 although the member’s term did not expire until October 2018.

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<sup>10</sup> The seven non-voting members of the council, appointed by the Governor or members of the General Assembly to represent the vendor community, sign a conflict-of-interest statement.

<sup>11</sup> Governor Lee’s Executive Order No. 2, “An Order Concerning Ethics Policies Applicable to, and Ethics Disclosures Required of, Executive Branch Employees,” was signed January 24, 2019.

The second vacancy occurred when a member's term expired in October 2017. CPO management contacted the appointing authority multiple times requesting that the vacancies be filled, but as of May 7, 2019, has not heard from the Speaker's office.

The council met 13 times from August 2, 2016, through March 7, 2019; one non-voting member attended only 2 of those 13 meetings. The same non-attending member, appointed by the Lieutenant Governor, was reappointed to another four-year term beginning in 2019. The council should adopt a policy for member attendance at meetings, including communication to the appointing authority when members consistently miss meetings.

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### **Matter for Legislative Consideration – State Protest Committee**

As written, Section 4-56-103(b)(3), *Tennessee Code Annotated*, creates an unintended conflict of interest for the State Protest Committee.

Section 4-56-103(b)(3) specifies that the Chief Procurement Officer is required to keep “a permanent and accurate record” of all committee proceedings. However, according to CPO management, the State Protest Committee hears protests of the Chief Procurement Officer's decisions, thereby creating a conflict of interest for the Chief Procurement Officer to perform the recordkeeping function. To allow the Chief Procurement Officer to remain independent during committee proceedings, the Department of Finance and Administration's General Counsel's office serves as the committee's recordkeeper, which conflicts with current statute.

The General Assembly may wish to consider amending current statute to remove the potential conflict of interest involving the State Protest Committee's recordkeeping function by designating staff from one of the committee's member agencies instead of the Chief Procurement Officer.

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## **LEASE PROCUREMENT**

### **Background**

The State of Tennessee Real Estate and Asset Management Division (STREAM) is responsible for operating, managing, and maintaining the state's real estate assets.<sup>12</sup> This includes

- overseeing capital projects;
- preparing long-range housing plans;
- managing leases;
- analyzing space needs;
- making space assignments;

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<sup>12</sup> STREAM is not responsible for real estate assets of the state's higher education institutions.

- designing interior floor plans for agencies; and
- coordinating agency moves.

STREAM also has management responsibility for the State Office Buildings and Support Facilities Revolving Fund (FRF), which was established in 1989 by Section 9-4-901, *Tennessee Code Annotated*, to provide efficient management of state office and warehousing facilities. State agencies are charged a rental rate based on usage, location, and market rate for the space they occupy. Using these funds, STREAM pays the rent for FRF leases on behalf of state agencies. Some agencies as well as higher education institutions manage leases themselves; they are responsible for paying their rent.

Pursuant to Section 4-15-102, *Tennessee Code Annotated*, the State Building Commission (SBC) has the power and authority to approve and supervise all projects in which the state has an interest that involve the acquisition, construction, improvement, and disposal of real property, and has the authority to approve contracts involving real property, including leases. In addition, Sections 12-2-114 and 12-2-115, *Tennessee Code Annotated*, outline STREAM's responsibilities governing leases, including when leases require SBC approval. In order to comply with SBC's statutory authority, STREAM must follow the *By-Laws, Policy and Procedure of the State Building Commission of Tennessee* (SBC Policy). STREAM's Deputy Commissioner is responsible for implementing all policies and procedures related to STREAM and for communicating them to his staff.

State agencies and their employees generally occupy state-owned property, but when necessary, STREAM may procure leased space to meet an agency's needs. Based on expenditures for the period August 1, 2016, through December 31, 2018, the State of Tennessee administered approximately 583 active leases during this period. STREAM procured approximately 92 of these leases. The remaining 491 active leases were either procured by STREAM and commenced prior to August 1, 2016, or were managed directly and paid by the state agency or a higher education institution.

### Lease Procurement Process

Lease procurements begin when a state agency informs STREAM of its need for a new lease; in cases where a state agency needs to renew an existing lease, the process begins when STREAM notifies the agency of an approaching lease expiration, or the agency will notify STREAM. STREAM staff work with the agency to determine their space needs for the next five to ten years as well as determine how many staff members could work primarily from home as an alternative workplace solution in order to minimize the space required. The agency then submits a space action request and an office needs worksheet with details regarding how many staff will be housed in the space. Once STREAM receives this information, staff prepare

STREAM's leasing staff's mission is to provide state agencies with exceptional tenant representation, make prudent real estate decisions on behalf of Tennessee taxpayers, and present a fair, transparent, and competitive opportunity for Tennessee property owners to do business with the state.

a space needs analysis to ascertain the minimum amount of usable square feet that the agency needs along with any other site-specific needs (e.g., a locked file room or hearing rooms). The Lead Business Analyst within STREAM's Strategic Planning Group determines whether state-owned or current state-leased space is available to meet the agency's needs and prepares a portfolio analysis and strategy recommendation.

If the Lead Business Analyst cannot find state-owned or state-leased space, the Leasing Director assigns the appropriate regional STREAM leasing agent to work with the state agency and conduct market research to find available space options within the geographical area and within the rental allowances. The Lead Business Analyst will also recommend whether STREAM should directly negotiate with a landlord or publicly advertise the lease procurement. If the Leasing Director determines that it is necessary to procure a new lease,

- the leasing agent prepares the lease proposal request (also called a Statement of Procurement Goals);
- the STREAM Program Director reviews the proposal; and
- the Real Estate Leasing Coordinator advertises the proposal with local newspapers and emails the following individuals in the region where the leased space is requested:
  - applicable members of the legislature;
  - mayors;
  - county executives; and
  - all persons currently leasing property to the state or persons who have expressed interest in leasing property to the state within the previous 12 months.

After the leasing agent receives all timely submitted lease proposals, the leasing agent

- evaluates the proposals;
- selects the best proposal based on price and the agency's needs; and
- makes a recommendation to STREAM's Deputy Commissioner and the Leasing Director.

STREAM management then notifies the prospective lessors that STREAM has completed its evaluation of proposals and works with the selected lessor to finalize the lease, obtain the necessary approvals, and execute the lease. If the lease term is five or more years or if the annual rent exceeds \$150,000, STREAM must submit the lease for State Building Commission approval prior to executing the lease. Since summer 2017, STREAM management has used a checklist to ensure compliance with the lease procurement process. The checklist lists all documentation STREAM management must maintain in the lease file related to a lease's procurement, and contains fields for leasing staff to document whether the documentation is in paper or electronic format, when it was completed, who was responsible for the documentation, and any remarks related to the lease procurement. The checklist also contains fields to document that management has reviewed the lease file for compliance.

## Conflict-of-Interest Requirements

According to State Building Commission By-laws, Policy and Procedure 7.01 B, “the lease procurement process shall be objective, impartial, transparent, and consistent in its application.” To meet these requirements, SBC Policy requires each person involved in the lease procurement process to complete a written conflict-of-interest disclosure documenting his or her independence. STREAM management is required by SBC Policy to review and maintain the written disclosures in the lease procurement file.

## Prior Audit Results

In the November 2016 performance audit report, we found that STREAM did not

- establish an adequate lease tracking process;
- maintain up-to-date lease procurement procedures;
- provide adequate direction to leasing staff to ensure they could perform required tasks and comply with applicable policies;
- maintain conflict-of-interest disclosures for external parties involved in the lease procurement process;
- obtain SBC approval prior to executing leases that were longer than five years or had lease amounts that totaled more than \$150,000;
- include a clause in the lease agreements describing the state’s right to terminate the lease for convenience, as required by SBC Policy; and
- maintain the minimum required procurement documentation in all files tested.

In addition, the Central Procurement Office, which was also involved in lease procurement during the prior audit, could not provide us with several lease procurement files.

In response to the finding, management stated they would make improvements to internal procedures to address the maintenance of conflict-of-interest disclosure documentation and the SBC approval process for leases that meet or exceed approval threshold levels, as well as ensure the lease template had the appropriate language for the termination-for-convenience clause and that the clause was included in all leases. Furthermore, management stated they would immediately address the documentation deficiencies in the lease procurement files.

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## **Audit Results**

- 1. Audit Objective:** Did STREAM management correct the prior audit finding by updating and maintaining internal lease procurement policies and procedures and ensuring leasing staff were able to perform their required tasks and comply with policy requirements?

**Conclusion:** STREAM management updated its leasing policies, which were approved by the State Building Commission January 1, 2017. The implementation of the lease checklist provided leasing staff with the guidance needed to perform their required tasks and comply with policy requirements.

2. **Audit Objective:** Did STREAM management establish a lease tracking process to ensure the division effectively managed the leases of the various state departments and agencies that it serves, including maintaining appropriate procurement documentation and conflict-of-interest forms in the lease files, in order to correct the prior audit finding?

**Conclusion:** With the implementation of its updated leasing policies, STREAM management established a lease tracking process using a checklist as a guide to ensure compliance with the approved lease procurement process. STREAM management made improvements in maintaining appropriate documentation in the lease files; however, we still noted errors. See **Finding 2**.

3. **Audit Objective:** Did STREAM management correct the prior audit finding by ensuring leases requiring SBC approval received that approval prior to being initiated?

**Conclusion:** With the implementation of its updated leasing policies, STREAM management ensured that leases requiring SBC approval received the approval prior to lease initiation.

**Finding 2 – As noted in the prior audit, the State of Tennessee Real Estate Asset Management Division did not maintain all required lease documentation**

Lease Procurement Files

To determine if the lease management team complied with SBC Policy and STREAM's *Lease Procurement Methods Policy and Procedure* when procuring leases, we tested a sample of 60 active leases executed by STREAM during the period August 1, 2016, through December 31, 2018, with annual rent amounts totaling approximately \$7,385,151. Based on our review of the lease files, management did not always maintain conflict of interest forms as required by SBC Policy and STREAM's *Policy and Procedure*, and did not have current established policies and procedures to address license agreements.

After we issued the November 2016 performance report, STREAM management began making significant changes to the division's lease procurement process. During our audit period, which began on August 1, 2016, management implemented a checklist template to ensure staff properly followed the lease procurement process. While the checklist functioned as an internal control to ensure leasing staff obtained and maintained all required documentation, obtained

approvals in a timely manner, and reviewed the file to verify its completeness, the checklist and other changes to the leasing process were not officially implemented until March 2017.

In our testwork for the current audit, management continually implemented corrective action during the audit period, and we noted an overall improvement with the lease files' documentation compared to the prior audit results.

### Conflicts of Interest

During our testwork, we continued to find problems where management did not maintain all required conflict-of-interest forms in the lease files. While the checklist contains a field to document that leasing staff obtained the conflict-of-interest disclosure forms, it does not prompt leasing staff to ensure that all required conflict-of-interest disclosure forms are placed in the file. For 29 of 60 lease files tested, management did not ensure the lease files contained all required conflict-of-interest disclosures; for 11 of these 29 files, management did not include any conflict-of-interest forms in the file. Additionally, we noted that for 24 of these 29 files, this was the only error we found with the files.

According to the State Building Commission's By-laws, Policy and Procedure 7.01(B)(4),

No individual, company, or other entity involved in the evaluation or negotiation of proposals should have a financial interest or have the appearance of a conflict of interest unless disclosed and addressed in accordance with Commission Policy Item 12. A written conflict of interest disclosure documenting the independence of each person involved must be completed and retained as part of the procurement file.

The Real Estate Asset Management *Lease Procurement Methods Policy and Procedure* also states the following related to conflicts of interest:

All parties involved in the procurement, agreement preparation or administration of leases for STREAM shall act in good faith. All individuals involved with the development of the RFP, proposal reviews, analysis, Negotiations, recommendation for award or any other portion of the procurement process shall complete a disclosure of conflicts of interest and statement of understanding of non-disclosure of information during the procurement process and until file is open for public inspection.

### License Agreements

After our fieldwork ended, management informed us that three of the lease files we tested were actually license agreements, not leases. STREAM includes license agreements in its lease tracking process to aid the department in tracking these agreements, even though STREAM management does not treat them the same as a lease. Based on discussion with STREAM's Deputy Commissioner, STREAM used license agreements for items of low value and/or for a short duration to fit an emergency or unusual situation, such as space in a county courthouse, warehouse space, or use of a parking garage. STREAM management does not have a separate policy or

procedure to provide guidance on the treatment of license agreements; therefore, we treated the license agreements as similar to emergency leases and noted any lack of required documentation. We found that one of the license agreements had a two-year term and exceeded \$600,000 annually. Because it was not a lease, however, management did not obtain SBC approval even though the agreement exceeded \$150,000 annually. While management was not technically required to obtain SBC approval because the agreement was a license agreement, not a lease, we believe management should have sought approval due to the agreement's large dollar value.

### Effect

By not documenting and reviewing conflict-of-interest disclosure forms for each lease, management increases the risk that an individual may act out of self-interest rather than in the state's best interest.

Furthermore, without having clear written policies and procedures for the treatment of license agreements, management increases the risk that they

- may not treat license agreements consistently,
- may not retain necessary information related to the license agreement, and
- may improperly use a license agreement in place of a lease.

### Recommendation

The Commissioner should ensure that conflict-of-interest forms for all parties involved in the lease procurement process are obtained, reviewed, and maintained in the lease files. STREAM management should add instructions to the lease procurement checklist to ensure that the reviewer is prompted to review the file for all required conflict-of-interest forms. Lastly, the Commissioner should ensure that STREAM management documents policies and procedures for license agreements. They should consider requesting SBC approval for license agreements with large dollar amounts, similar to the requirements for a lease, to ensure the procurement process is objective, impartial, transparent, and consistent in its application.

### Management's Comment

We concur.

During the summer of 2016, STREAM worked closely with the COT and the OSA to create the current Lease Process. The improvements made to the Lease Process included expanding the analysis by the STREAM Strategic planning team to address the lease "holdover" situation and replacing the brokerage contract with a State employee leasing team. In addition, the new Lease Process implemented forms and procedures to document the many required steps in the procurement process. The new Lease Process and procedures were approved by the SBC in January 2017, and implemented in March 2017.

STREAM concurs that additional conflict of interest (COI) forms for procurements should be included in the lease files. STREAM will identify the tasks under the Lease Process that are subject to the requirement to submit COIs and will require the parties performing those tasks in a procurement be identified in the Lease Process checklist. We will obtain COIs from each of those individuals prior to closing the checklist process.

STREAM concurs that best practices would include documenting a procedure for license agreements and will develop and implement an appropriate procedure for license agreements.

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## **LEASE EXTENSIONS**

### Background

State agencies and their employees generally occupy state-owned property, but where necessary, State of Tennessee Real Estate Management Division (STREAM) may procure leased space to meet an agency's needs. The state's leases are tracked in ARCHIBUS, STREAM's system used to manage leases. ARCHIBUS automatically generates lease expiration notices when leases are scheduled to expire within 18 months, 12 months, and 6 months. At least six months prior to a lease's expiration, STREAM's leasing staff begin the procurement process as follows:

- leasing staff send a list of upcoming lease expirations to the Department of Finance and Administration's Budget Office in order to obtain a certification that funding will be available to renew or replace expiring leases; and
- leasing staff use the lease expiration notices to notify state agencies of the upcoming lease renewals.

When necessary, STREAM can grant lease extensions (temporary holdover agreements) to allow state agencies to remain in leased properties after the agencies' leases have expired. Each lease contains a temporary holdover clause that allows management to remain on the premises on a month-to-month basis if a lease expired before management could execute a new lease or an amendment to the existing lease. If a lease expires and the temporary holdover clause is used, management stated it is their practice to document this in an extension letter, signed by both STREAM management and the landlord, that the agency intends to remain on the premises for a certain time period.

### Prior Audit Results

In the November 2016 performance audit report, we found that STREAM did not always document that it had communicated with state agencies regarding lease expirations, nor did it always execute either a lease extension or a new lease prior to the expiration of an existing lease. In the prior audit, we determined that there were 167 leases in holdover status. To address the prior audit finding, STREAM management implemented a process to extend leases using formal lease amendments to reduce reliance on lease extensions and holdover clauses; however,

management continued to include the holdover clauses in their lease agreements in case management could not execute a new lease or lease amendment prior to a lease's expiration.

### Internal Management Report Results

According to an internal holdover tracking report provided to us by STREAM management, as of December 2018, there were 105 leases in temporary holdover status. Of these 105 leases, management executed new leases to replace 29 of the leases in holdover status.

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### **Audit Results**

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**1. Audit Objective:** Did STREAM management correct the prior audit finding and ensure that communications concerning lease expirations occurred and were documented?

**Conclusion:** Based on our audit work, STREAM documented communications concerning lease expirations.

**2. Audit Objective:** Did STREAM management correct the prior audit finding and execute new leases or document lease extensions prior to expiration of an existing lease or lease extension?

**Conclusion:** Based on our audit work, STREAM management did not fully execute new leases or lease extensions prior to the expiration of the previous lease or extension. See **Observation 3**.

### **Observation 3 – The State of Tennessee Real Estate Management Division should continue improving its processes to manage lease expirations**

To determine if STREAM management corrected the prior audit finding, we obtained and reviewed management's internal holdover tracking report to determine the number of leases in temporary holdover status as of December 31, 2018. We also selected a sample of 60 lease expirations, with an annual rent expenditure amount totaling approximately \$9,614,745, to determine if management documented communications with lessee agencies prior to a lease's expiration and if management executed a new lease or a lease extension prior to the expiration of an existing lease or extension. Based on our follow-up of the prior audit finding, we found that STREAM management

- transitioned to using lease amendments to reduce the state's reliance on temporary holdover clauses;
- reduced the number of leases in holdover status from 167 leases reported in the prior audit to 105 as of December 31, 2018;
- executed new leases for 29 of the 105 leases in holdover status to replace the existing expired leases, leaving 76 leases requiring re-procurement beginning January 1, 2019;

- communicated with state agencies prior to the expiration of an existing lease or lease extension for all lease expirations we tested; and
- did not execute a new lease or lease extension timely for 16 of 60 lease expirations tested (27%), a significant reduction from 60% noted in the prior audit.

According to management, each lease contained a holdover clause allowing the state agency to occupy the leased space until STREAM and the landlord reached a new agreement, minimizing the risk of the agency's eviction and preventing landlords from increasing rent without going through formal negotiations.

The Commissioner should ensure that the Lease Management team continues to make the necessary efforts to complete a lease amendment or the procurement process for expiring leases to reduce the reliance on temporary holdover clauses, thereby providing the Department of General Services with leverage in the lease negotiations and ensuring that the state leases are the most cost effective.

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## **FACILITIES MANAGEMENT**

In 2012, the Central Procurement Office competitively procured the state's first facilities management contract, which was awarded to Jones Lang Lasalle (JLL), effective April 1, 2013. JLL operated under this contract until March 31, 2019. Beginning April 1, 2019, JLL transitioned to continue providing facilities management services to the state under a new statewide contract. The department's State of Tennessee Real Estate Asset Management Division (STREAM) is responsible for ensuring that JLL meets its contracted responsibilities, including submitting required monthly reports and inspecting state-owned and leased properties.

### Monthly Reporting Requirements

According to the facilities management contract effective April 1, 2013, JLL was required to prepare and submit monthly reports to the state. These reports included

- Energy Consumption Based on Paid Invoices,
- Financial Variance Analysis,
- Financial Trend Analysis,
- Minority Spend Analysis,
- Work Order Trend Analysis,
- Work Order Completion Analysis,
- Work Order – Customer Satisfaction, and
- Key Performance Indicator (KPI) Reports.

## Property Inspection Requirements

The facilities management contract also required JLL to conduct property inspections on a quarterly or annual basis, depending on the size of the property and whether the property is owned or leased. According to Section A.9.e of the contract, owned and leased properties with greater than 20,000 square feet were required to receive inspections each calendar quarter. Additionally, leased properties with less than 20,000 square feet were required to receive inspections at least annually. While the contract did not specifically state this, department management informed us that it expected JLL to also inspect all owned properties with less than 20,000 square feet each calendar quarter. STREAM management and JLL used Memorandums of Understanding to document the properties JLL was responsible for inspecting.

## Prior Audit Results

In the November 2016 performance audit, we found that JLL did not submit the monthly *Energy Consumption Based on Paid Invoices* report for 17 of 28 months reviewed. In response, management stated that they initially considered using JLL's system to manage and pay the state's utility bills (which would be documented on this report); however, after the department executed the contract, department management determined that department staff, and not JLL, would handle this function instead.

In addition, we found that JLL performed at least half of the required inspections late—some were at least two years late. In response to this part of the finding, management assigned an additional employee to assist in monitoring JLL's performance.

## Current Audit Results

Our testwork revealed that JLL submitted all required reports every month. Additionally, on February 17, 2017, pursuant to Governor Haslam's Executive Order 63, the Department of General Services entered into a Memorandum of Understanding with JLL that removed the *Energy Consumption Based on Paid Invoices* report from the list of required monthly reports. The executive order moved the Energy Consumption Management function from the Department of General Services to the Department of Environment and Conservation.

During the audit period, the state either owned or leased 512 properties:

- 93 properties over 20,000 square feet; and
- 419 properties under 20,000 square feet.

During the audit, we found that JLL completed almost all of the required property inspections, a significant improvement since the prior audit.

## Audit Results

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**1. Audit Objective:** Did STREAM management correct the prior audit finding and ensure that JLL submitted all required monthly reports?

**Conclusion:** Based on testwork performed, STREAM management ensured JLL submitted all required monthly reports.

**2. Audit Objective:** Did STREAM management correct the prior audit finding and ensure that JLL performed required property inspections?

**Conclusion:** Based on sample testwork performed, we found that JLL has significantly improved and performed inspections as required, except for four inspections on three properties, which represents approximately 1% of the inspections in our sample. When we informed STREAM management of the errors, they stated that they believe JLL missed the inspections due to miscommunication from STREAM management. Based on our discussions and testwork, the miscommunication related only to these three properties and was not a pervasive problem.

STREAM management agreed to address this miscommunication going forward.

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## SURPLUS PROPERTY PROGRAM

### Background

The Department of General Services' Surplus Property program administers the sale or disposal of state assets and acts as the federal government's agent for eligible recipients to acquire federal surplus property. Section 4-3-1105(2), *Tennessee Code Annotated*, requires the department to sell supplies, materials, and equipment that are surplus, obsolete, or unused. Section 12-2-403 details the processes available for selling and disposing surplus property. The Surplus Property program does not receive state appropriations but is funded through handling fees charged to agencies that return or receive surplus property.

**The Surplus Property program's mission is to ensure the equitable and appropriate redistribution and disposal of Tennessee's state and federal excess personal property to state and municipal government entities and eligible nonprofit organizations.**

The program's *Surplus Property Disposal Quick Reference Guide* provides state agencies with information on the program and instructions for processing surplus property. When a state agency determines that it no longer has a use for property, the agency's property officer uses AssetWorks<sup>13</sup> to submit a surplus property transfer request with a detailed description and pictures

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<sup>13</sup> AssetWorks is the state's system used to document and process all surplus property transactions.

of the property. Surplus Property program staff evaluate the submitted property to determine the best use for it, which could include interagency transfer, redistribution, public sale, or destruction. When program staff have obtained all signed documentation, they manually retire each piece of property in both AssetWorks and Edison.

According to department management, the Department of Finance and Administration's Strategic Technology Solutions (STS) is scheduled to launch a new Edison asset management system in August 2019, and it will replace this dual entry requirement. The department and STS staff meet weekly regarding the project and its progress.

#### Prior Audit Finding Follow-up

In the department's November 2016 performance audit, we reported a finding that the Surplus Property program staff did not retire inventory in Edison as property was sold and/or disposed, resulting in a backlog of more than 13,000 pieces of property. Management attributed the backlog to the manual dual entry process required to retire items and to agencies allegedly stockpiling items and submitting large volumes of items for surplus at once. To address the finding, Surplus Property program management and staff implemented a process to generate and review monthly reports, which contain a cumulative list of all property items sold or otherwise disposed of and retired in AssetWorks, but not retired in Edison. Using these reports, Surplus Property program staff retire property items in Edison and record the status of each item in a separate column on the report. According to the March 2019 report, which was the most recent report available at the time of our review, staff had 106 property items requiring an Edison retirement, which was a 99% reduction in three years.

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### **Audit Results**

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**Audit Objective:** Did the Department of General Services resolve the remaining backlog of surplus property to sell or dispose?

**Conclusion:** Based on our audit work, the department resolved the remaining backlog of surplus property.

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#### **STAFF TURNOVER ANALYSIS**

##### National Statistics

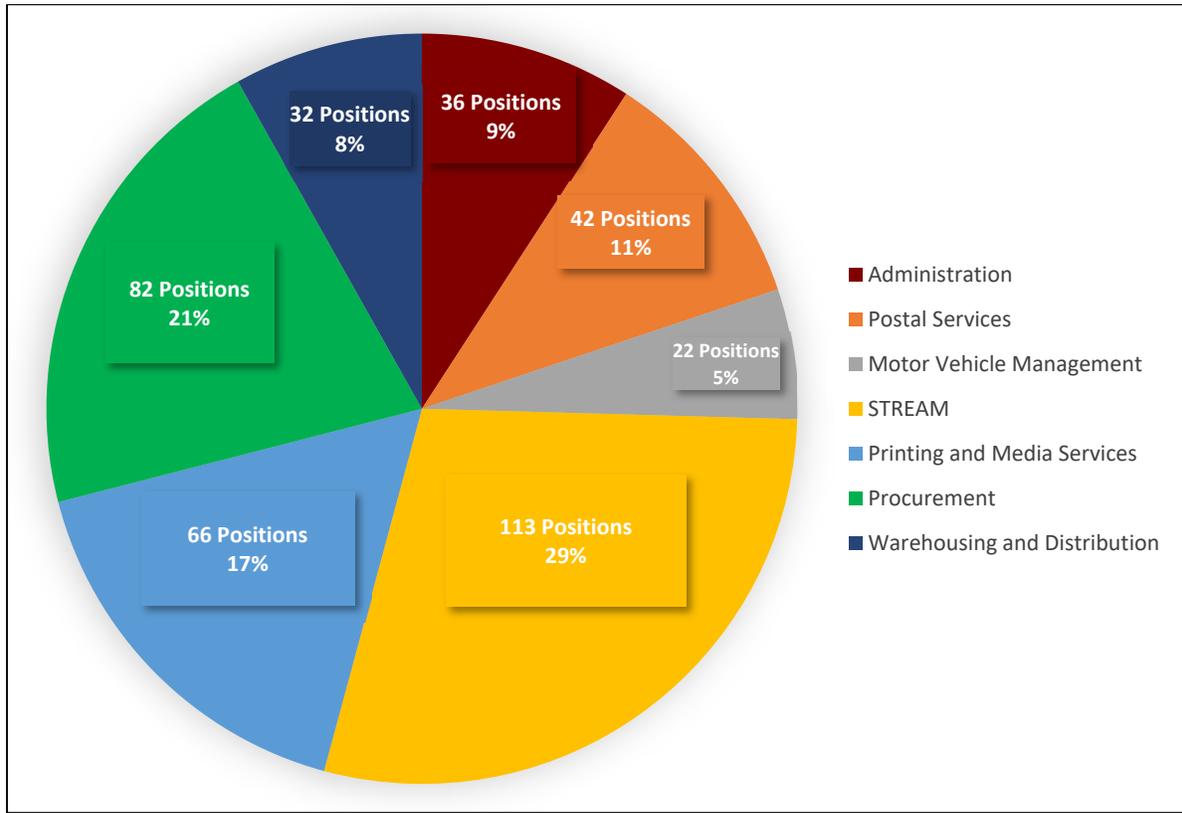
According to the U.S. Department of Labor, Bureau of Labor Statistics, the average turnover for state and local governments, excluding education, for calendar years 2016, 2017, and 2018 was 20.7, 20.6., and 20.0, respectively. For our analysis of staff turnover, we relied on data based on the state fiscal year; however, we do not believe that the difference in timeframes would result in different outcomes.

Department of General Services’ Staffing Statistics

The Department of General Services has 393 approved full-time positions according to the state’s fiscal year 2020 budget; as of May 14, 2019, 343 positions were filled. As shown in Chart 1, the majority of the department’s workforce—67%—is in three of the seven business units:

- the State of Tennessee Real Estate Asset Management Division (STREAM) has 113 positions, or 29% of the total positions;
- the Central Procurement Office (Procurement) has 82 positions, or 21% of the total positions; and
- Printing and Media Services (currently part of the Document Solutions Division) has 66 positions, or 17% of the total positions.

**Chart 1**  
**Department of General Services**  
**FY 2020 Budgeted Positions by Business Unit**



Source: Tennessee State Budget, Fiscal Year 2019 – 2020.

Department Separation Statistics

Department separations include employees who retired or voluntarily resigned as well as those employees the department dismissed. The department experienced a total of 161 separations in fiscal years 2017, 2018, and 2019.

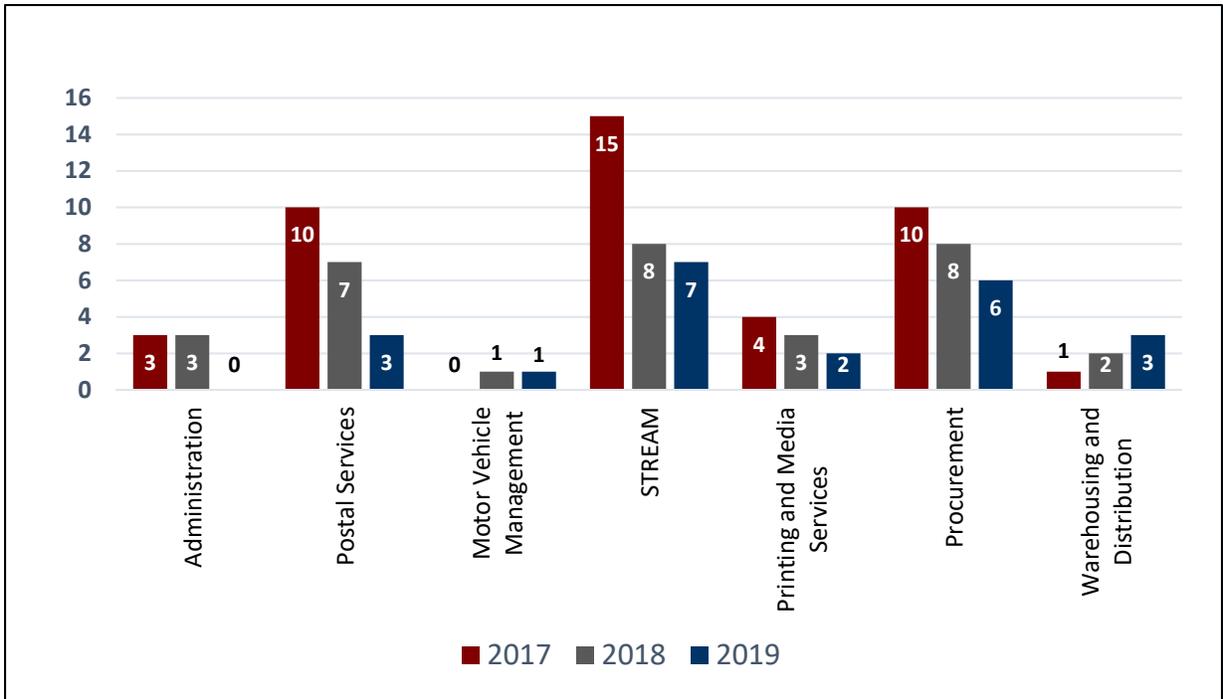
**Table 3**  
**Department of General Services Turnover Rates**  
**Fiscal Years 2017 to 2019 (through December 31, 2018)**

Fiscal Year	Separations	Average Employees Per Year	Turnover Rate
2017	63	400	15.7%
2018	60	399	15.0%
2019	38	401	9.5%

Source: Edison, the State’s Enterprise Management System.

When analyzing turnover trends, we noted that the turnover rate due to voluntary resignations was 11% in fiscal year 2017, 8% in fiscal year 2018, and 6% in fiscal year 2019 (through December 31, 2018). We also noted that Postal Services, Printing and Media Services, STREAM, and the Central Procurement Office (Procurement) had the highest number of voluntary resignations during the time period (see Chart 2). We asked the department’s human resources staff and division management about processes in place to retain employees and to monitor turnover trends.

**Chart 2**  
**Department of General Services**  
**Number of Voluntary Resignations by Business Unit by Year**



Source: Edison, the State’s Enterprise Management System.

## Employee Retention and Turnover Monitoring

The department's human resources staff developed programs and monitoring processes to assist department management with employee retention and to identify employee turnover trends. Through the employee retention program, management

- hosts an Annual Employee Appreciation Day that provides employees refreshments and the opportunity to network with their co-workers and encourages supervisors to give employees handwritten thank-you notes at this event; and
- based on nominations by peers and supervisors, awards employees who exhibit great customer service on a monthly and annual basis; and
- sends employees birthday cards from the Commissioner.

Throughout the year, the department's human resources staff monitor employee turnover using a tracking tool they created to capture offboarding data from employee separations. In addition, the state's Department of Human Resources monitors information from the Department of General Services' employees' exit interviews and shares any concerns with department management. Department management uses both sources to identify trends and take action to address problems.

In discussions with management of Postal Services and Printing and Media Services, management stated that turnover stemmed from the reorganization of the Documents Solutions Division during the time period. In addition to voluntary resignations during the reorganization, nine employees in these two sections retired. For STREAM specifically, management reported that employees left state service due to low salaries and competition from Nashville's strong real estate market. According to CPO management, their employees left state service due to low salaries and competition from private sector firms with higher paying procurement positions.<sup>14</sup>

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### **Audit Results**

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**Audit Objective:** Did the department experience any turnover that affected the department's ability to meet its mission?

**Conclusion:** Based on analysis of the department's turnover rates for fiscal years 2017, 2018, and 2019 (through December 31, 2018) and discussions with management, the department's employee turnover did not affect the department's ability to meet its mission.

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<sup>14</sup>The Tennessee Department of Labor and Workforce Development (LWD) reports that the Real Estate Rental and Leasing Industry was one of the most rapidly growing industries in the state with an increase in employment of 4.5% from calendar year 2016 to 2017 and 25.2% from 2012 to 2017. LWD also projects an employment increase of 3.6% in the Professional and Business Services industry (procurement and purchasing positions are in this category) from 2017 to 2019.

## APPENDICES

### APPENDIX 1 EDISON BUSINESS UNITS

#### Department of General Services

- 321.00 – General Services
- 321.01 – Administration
- 321.02 – Postal Services
- 321.06 – Motor Vehicle Management
- 321.07 – Real Estate Asset Management
- 321.09 – Printing and Media Services
- 321.10 – Procurement Office<sup>15</sup>
- 321.15 – Office of Information Technology Services (OITS)
- 321.18 – Warehousing and Distribution
- 321.20 – State Facilities Pre-Planning
- 321.21 – Governor’s Books from Birth Fund
- 321.99 – Statewide Capital Maintenance

#### Facilities Revolving Fund (FRF)

- 501.00 – Facilities Revolving Fund
- 501.01 – Facilities Operations
- 501.02 – Facilities Maintenance
- 501.03 – Leases and Space Planning
- 501.04 – FRF Capital Projects
- 501.05 – FRF Debt Service

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<sup>15</sup> Includes State Procurement Commission, Advisory Council on State Procurement, and State Protest Committee expenses.

**APPENDIX 2  
PROCUREMENT ENTITIES' MEMBERSHIP  
AS OF APRIL 30, 2019**

**State Procurement Commission**

<b>Voting Members</b>	
<b>Name</b>	<b>Position</b>
Christi Branscom	Department of General Services Commissioner
Stuart McWhorter	Department of Finance and Administration Commissioner
Justin Wilson	Comptroller of the Treasury

<b>Non-Voting Member</b>	
<b>Name</b>	<b>Position</b>
Mike Perry	Chief Procurement Officer

Source: Chief Procurement Office management.

**Advisory Council on State Procurement**

<b>Voting Members</b>			
<b>Name</b>	<b>Appointed by</b>	<b>Term Expiration</b>	<b>From</b>
Mike Perry	Section 4-56-106(a)(2), <i>Tennessee Code Annotated</i> <sup>16</sup>	N/A	Central Procurement Office
Summer Carr	Department of General Services Commissioner	10/31/2021	Department of Economic and Community Development
Ted Hayden	Department of General Services Commissioner	10/31/2022	Department of General Services
Buddy Lea	Department of Finance and Administration Commissioner	10/31/2021	Department of Finance and Administration
Jason Mumpower	Comptroller of the Treasury	10/31/2019	Comptroller of the Treasury

<sup>16</sup> The Chief Procurement Officer is appointed by the Governor and serves as chair of the Advisory Council on State Procurement.

**Advisory Council on State Procurement (cont'd.)**

<b>Non-Voting Members</b>			
<b>Name</b>	<b>Appointed by</b>	<b>Term Expiration</b>	<b>Representing</b>
Brad Eskind	Governor	10/31/2021	Vendor Community
Jasmine Quattlebaum	Governor	10/31/2022	National Institute of Government Purchasing
Sean M. Newman	Speaker of the Senate	10/31/2021	National Institute of Government Purchasing
Stewart Shunk	Speaker of the Senate	10/31/2022	Vendor Community
Vacant <sup>17</sup>	Speaker of the House		
Vacant <sup>18</sup>	Speaker of the House		
Lynn Farnham	Chair, Fiscal Review Committee	10/31/2019	N/A

Source: Central Procurement Office management.

**State Protest Committee**

<b>Voting Members</b>	
<b>Name</b>	<b>Position</b>
Christi Branscom	Department of General Services Commissioner
Stuart McWhorter	Department of Finance and Administration Commissioner
David H. Lillard, Jr.	State of Tennessee Treasurer

Source: Department of Finance and Administration's Office of General Counsel.

<sup>17</sup> Appointment has been vacant since term ended October 2017.

<sup>18</sup> Appointment has been vacant since member resigned in May 2017 prior to term ending in October 2018.

**APPENDIX 3**  
**DEPARTMENT OF GENERAL SERVICES<sup>19</sup>**  
**EXPENDITURE AND REVENUE INFORMATION BY FISCAL YEAR**  
**FISCAL YEARS 2017 THROUGH 2019**  
**UNAUDITED**

<b>Description</b>	<b>2017</b>	<b>2018</b>	<b>2019<sup>†</sup></b>
Regular Salaries	\$ 17,693,301.92	\$ 18,823,652.37	\$ 19,086,299.55
Longevity	384,123.50	406,549.27	429,993.99
Overtime	130,704.72	61,873.73	27,442.70
Benefits	6,664,979.89	7,518,105.53	7,353,868.59
<b>Subtotal Personnel</b>	<b>24,873,110.03</b>	<b>26,810,180.90</b>	<b>26,897,604.83</b>
Travel	104,341.07	138,602.47	123,884.84
Printing and Duplicating	589,370.19	533,523.78	758,781.61
Utilities and Fuel	414,185.18	223,066.82	217,535.79
Communications	300,088.00	218,730.74	419,519.03
Maintenance, Repairs, and Service	1,716,651.53	1,505,196.99	1,676,707.89
Professional Services Third Party	3,311,388.51	3,189,164.32	1,596,906.26
Supplies and Materials	768,645.78	688,370.23	992,681.81
Rentals and Insurance	8,488,298.91	9,143,114.56	9,396,118.66
Motor Vehicle Operations	16,675,002.06	18,428,027.08	18,538,620.90
Awards and Indemnities	196,554.13	471,200.10	206,582.80
Grants and Subsidies	3,924,800.00	3,924,800.00	4,525,000.00
Unclassified	11,240.00	10,400.00	8,800.00
Stores for Resale/Reissue/Mfg.	14,027,937.43	14,181,607.50	14,268,699.06
Equipment Purchases	19,155,059.49	18,985,693.09	20,474,038.20
Less Assets Capitalized*	(18,990,206.78)	(18,193,503.97)	-
Net Equipment Expense	164,852.71	792,189.12	20,474,038.20
Land	1.00	(1.00)	-
Buildings	-	-	10,000.00
Discounts Lost	-	600.00	-
Training	101,334.79	193,648.74	230,559.10
Data Processing	568,650.72	1,323,093.67	1,467,524.78
Professional Services State Agencies	17,818,394.60	17,782,003.64	16,870,532.24
Depreciation	15,075,669.45	14,556,986.48	-
Loss on Disposal of Equipment	459,819.87	46,129.24	-
<b>Subtotal Operations</b>	<b>84,717,225.93</b>	<b>87,350,454.48</b>	<b>91,782,492.97</b>
<b>Total Expenditures</b>	<b>\$109,590,335.96</b>	<b>\$114,160,635.38</b>	<b>\$118,680,097.80</b>

<sup>†</sup> The Fiscal Year 2019 amounts are not complete and include transactions dated June 30, 2019, but processed through August 9, 2019. Year-end asset capitalizations, dispositions, and depreciation for equipment as well as all other year end accruals are recorded by the Department of Finance and Administration subsequent to June 30 and prior to closing the books. The closing process can take several months after June 30.

\*Capitalization, in accounting, is when the costs to acquire an asset are expensed over the estimated useful life of that asset, rather than in the period in which it was purchased. An example of a capitalized asset is a vehicle.

<sup>19</sup> Includes State Procurement Commission, Advisory Council on State Procurement, and State Protest Committee expenses.

<b>Description</b>	<b>2017</b>	<b>2018</b>	<b>2019†</b>
Reserve - Unencumbered Balance	25,672,028.27	25,583,843.84	28,964,998.42
Reserve - Capital Outlay	-	-	-
Reserves	-	-	-
State Appropriations††	19,348,797.29	15,273,174.23	17,640,732.12
<b>Total Appropriation</b>	<b>45,020,825.56</b>	<b>40,857,018.07</b>	<b>46,605,730.54</b>
Federal Revenue	-	-	-
Federal Capital Grants	-	-	-
Refund Prior Year Federal Expense	-	-	-
<b>Total Federal</b>	<b>-</b>	<b>-</b>	<b>-</b>
Counties	-	-	-
Refund of Prior Year Local Expense	-	-	-
Cities	-	-	-
Non-Governmental	-	-	-
Other State	-	-	-
Current Services	5,628,641.18	6,632,255.25	8,624,848.64
Interest Income	57,332.35	146,763.58	242,385.94
Inter-Departmental	89,554,747.90	93,761,107.79	96,074,120.84
Interdepartmental - Component Unit	769,826.69	691,332.33	644,695.66
Current Services - Licenses	-	-	-
Current Services - Fines	-	-	-
<b>Subtotal Other Revenue</b>	<b>96,010,548.12</b>	<b>101,231,458.95</b>	<b>105,586,051.08</b>
<b>Total Funding</b>	<b>\$141,031,373.68</b>	<b>\$142,088,477.02</b>	<b>\$152,191,781.62</b>

†† The Fiscal Year 2019 amounts are not complete and include transactions dated June 30, 2019, but processed through August 9, 2019. Year-end asset capitalizations, dispositions, and depreciation for equipment as well as all other year-end accruals are recorded by the Department of Finance and Administration subsequent to June 30 and prior to closing the books. The closing process can take several months after June 30.

**APPENDIX 4**  
**STATE OFFICE BUILDINGS AND SUPPORT FACILITIES REVOLVING FUND**  
**EXPENDITURE AND REVENUE INFORMATION BY FISCAL YEAR**  
**FISCAL YEARS 2017 THROUGH 2019**  
**UNAUDITED**

<b>Description</b>	<b>2017</b>	<b>2018</b>	<b>2019†</b>
Regular Salaries	\$ -	\$ -	\$ -
Longevity	-	-	-
Overtime	-	-	-
Benefits	-	-	-
<b>Subtotal Personnel</b>	<b>-</b>	<b>-</b>	<b>-</b>
Printing and Duplicating	328.78	3,299.97	-
Utilities and Fuel	21,534,242.97	20,591,239.44	20,555,547.49
Communications	68,958.27	83,023.28	73,695.24
Maintenance, Repairs, and Service	21,120,779.29	21,106,852.81	22,324,374.08
Professional Services Third Party	8,450,752.37	10,692,946.77	9,703,836.97
Supplies and Materials	2,583,481.26	2,120,532.13	2,812,194.51
Rentals and Insurance	46,540,964.63	49,540,893.10	49,600,751.91
Motor Vehicle Operations	117,448.11	87,435.49	79,884.55
Unclassified	4,699.02	2,429.28	121.07
Equipment	102,406.97	53,730.81	-
Buildings	87,649.91	-	8,799.81
Data Processing	(5,058.04)	6,061.36	241,821.52
Professional Services State Agencies	102,096,518.84	145,053,096.10	92,042,151.07
Retirement of Debt	16,018,171.36	15,698,866.32	12,744,650.39
Interest on Debt	6,824,903.20	6,243,419.43	2,440,332.71
Trustee Fees	22,475.45	18,396.00	-
<b>Subtotal Operations</b>	<b>225,568,722.39</b>	<b>271,302,222.29</b>	<b>212,628,161.32</b>
<b>Total Expenditures</b>	<b>\$ 225,568,722.39</b>	<b>\$ 271,302,222.29</b>	<b>\$ 212,628,161.32</b>

† The Fiscal Year 2019 amounts are not complete and include transactions dated June 30, 2019, but processed through August 9, 2019. Year-end asset capitalizations, dispositions, and depreciation for equipment as well as all other year-end accruals are recorded by the Department of Finance and Administration subsequent to June 30 and prior to closing the books. The closing process can take several months after June 30.

<b>Description</b>	<b>2017</b>	<b>2018</b>	<b>2019†</b>
Reserve - Unencumbered Balance	33,691,194.48	26,000,185.60	71,332,800.00
Reserve - Capital Outlay	-	-	-
Reserves	-	-	-
State Appropriations	95,108,500.00	156,935,600.00	16,335,600.00
<b>Total Appropriation</b>	<b>128,799,694.48</b>	<b>182,935,785.60</b>	<b>87,668,400.00</b>
Federal Revenue	-	-	-
Federal Capital Grants	-	-	-
Refund Prior Year Federal Expense	-	-	-
<b>Total Federal</b>	<b>-</b>	<b>-</b>	<b>-</b>
Counties	-	-	-
Refund of Prior Year Local Expense	-	-	-
Cities	-	1,602,939.00	-
Non-Governmental	3,500,000.00	6,000,000.00	5,500,000.00
Other State	-	-	-
Current Services	743,050.33	1,931,805.68	727,337.36
Interest Income	-	-	-
Inter-Departmental	126,432,236.15	131,868,283.75	134,619,529.58
Interdepartmental - Component Unit	584,089.56	586,136.84	547,560.84
Current Services - Licenses	-	-	-
Current Services - Fines	-	-	-
<b>Subtotal Other Revenue</b>	<b>131,259,376.04</b>	<b>141,989,165.27</b>	<b>141,394,427.78</b>
<b>Total Funding</b>	<b>\$ 260,059,070.52</b>	<b>\$ 324,924,950.87</b>	<b>\$ 229,062,827.78</b>

† The Fiscal Year 2019 amounts are not complete and include transactions dated June 30, 2019, but processed through August 9, 2019. Year-end asset capitalizations, dispositions, and depreciation for equipment as well as all other year-end accruals are recorded by the Department of Finance and Administration subsequent to June 30 and prior to closing the books. The closing process can take several months after June 30.

**APPENDIX 5**  
**DEPARTMENT OF GENERAL SERVICES**  
**TITLE VI INFORMATION**

Pursuant to state statute, the Tennessee Human Rights Commission is responsible for verifying that state governmental entities receiving federal financial assistance comply with the requirements of Title VI of the Civil Rights Act of 1964 (Title VI), which prohibits discrimination on the basis of race, color, and national origin in federally funded programs and activities. The commission serves as the central coordinating agency for executive-branch departments and agencies and provides technical assistance, consultation, and resources to encourage and assist departments and agencies with compliance.

By October 1 of each year, state departments and agencies receiving federal funds must submit Title VI implementation plans to the commission describing how they will meet Title VI requirements. The commission staff perform reviews of all implementation plans each year to ensure the plans include limited English proficiency (LEP) policies and procedures, data collection procedures, subrecipient monitoring, and whether departments provide sufficient Title VI training to staff. The commission staff also perform detailed on-site compliance reviews of a select number of state agencies each year to ensure that agencies are following the implementation plans.

The commission issues the report *Tennessee Title VI Compliance Program* (available on its website: <https://www.tn.gov/humanrights.html>), which covers the status of the Title VI compliance for the State of Tennessee. The report describes the implementation plan review process, the results of compliance reviews completed, and details of federal dollars received by state agencies, Title VI complaints received, and Title VI implementation plan submission dates.

According to the commission’s *Title VI Compliance Program* reports for fiscal year 2016-2017 and fiscal year 2017-2018 (the most recent report available as of July 2019), the Department of General Services submitted its Title VI Implementation Plans timely and, after review by the commission, the plans were in compliance. The commission also reported that in May 2017, it conducted a review of the Department of General Services Title VI compliance program; the review resulted in no findings. See the charts for a breakdown of the department’s employee gender and ethnicity.

<b>Employees by Gender</b>	
<b>Gender</b>	<b>Number of Employees</b>
Male	181
Female	161

<b>Employees by Ethnicity</b>	
<b>Gender</b>	<b>Number of Employees</b>
White	261
Black or African American	71
Hispanic or Latino	5
American Indian or Alaska Native	1
Other	2
Two or More Ethnicities	2

## **APPENDIX 6 METHODOLOGIES TO ACHIEVE AUDIT OBJECTIVES**

### **STATE'S SUBRECIPIENT MONITORING RESPONSIBILITIES**

To meet our objective, we interviewed CPO and Office of the Comptroller of the Treasury's management and staff to obtain an understanding of the history and current status of activities to develop a central database of information for grant recipients and subrecipients. We also performed a walkthrough with CPO staff to obtain an understanding of their process to identify state subrecipients using Edison queries. We also reviewed correspondence between CPO and the Comptroller of the Treasury management to obtain the current status of database development.

### **STATE PROCUREMENT COMMISSION, ADVISORY COUNCIL ON STATE PROCUREMENT, AND THE STATE PROTEST COMMISSION**

To achieve our objective, we reviewed public notices and meeting minutes for the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee. To gain an understanding of the entities' responsibilities, we interviewed staff of the Central Procurement Office as well as the Department of Finance and Administration's General Counsel who are responsible for preparing public notice of meetings and maintaining meeting minutes for the State Procurement Commission, the Advisory Council on State Procurement, and the State Protest Committee. We reviewed video recordings of State Procurement Commission and Advisory Council on State Procurement meetings.<sup>20</sup> We attended a meeting of the Advisory Council. Furthermore, we obtained and reviewed the conflict-of-interest statements of the Advisory Council's non-voting members.

### **LEASE PROCUREMENT**

To meet our objectives for lease procurement, we obtained and reviewed State Building Commission *By-Laws, Policy and Procedure* and STREAM's *Lease Procurement Methods Policy and Procedure* as well as applicable state statutes to obtain an understanding of leasing requirements. We interviewed STREAM management and staff to obtain an understanding of the leasing process and how STREAM tracks the leases it manages. We performed a walkthrough of the lease procurement process and obtained an understanding of STREAM's role in procuring state leases with STREAM's leasing staff.

We obtained a list of 13,301 lease expenditures from Edison for the period August 1, 2016, through December 31, 2018, with total annual rent expenditures of approximately \$117,100,731. We filtered the list to identify 583 unique lease numbers for this period. We filtered the list again to obtain a population of 92 leases whose lease terms began during the audit

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<sup>20</sup> The State Protest Committee meetings are not recorded.

period. We tested a random sample of 60 active leases with total annual rent expenditures of approximately \$7,385,151 to determine whether management complied with SBC and STREAM policy and procedures when procuring leases, including compliance with conflict-of-interest requirements.

## **LEASE EXTENSIONS**

To meet our objectives for lease extensions, we obtained an understanding of STREAM's role in tracking state leases through interviews and detailed walkthrough procedures with STREAM's leasing staff. We obtained from STREAM management monthly reports for August 1, 2016, through January 31, 2019, that listed each leased and owned property STREAM managed and its expiration date, if applicable. We also obtained and reviewed management's internal holdover tracking report for the fourth quarter of 2018, which listed each lease in temporary holdover status and its procurement status.

Using the monthly reports, we filtered the property list to display only the leased properties that expired during the period August 1, 2016, through December 31, 2019. The population consisted of 497 unique lease expirations<sup>21</sup> related to 223 individual leases. We tested a nonstatistical random sample of 60 lease expirations to determine whether STREAM management maintained and documented communications with state agencies regarding lease expirations and if management took reasonable steps to execute new leases or lease extensions prior to a lease's expiration.

## **FACILITIES MANAGEMENT**

To achieve our objectives, we interviewed STREAM management to gain an understanding of the monthly reports JLL is required to submit to the department as well as the process to ensure JLL completes all required property inspections.

We reviewed JLL's contract, amendments, and relevant MOUs to obtain an understanding of JLL's responsibilities. We obtained and reviewed all monthly reports JLL submitted from February 2017 through February 2019 to determine if JLL submitted all required reports to STREAM management.

From a population of 512 properties either owned or leased by the state during the period August 1, 2016, through March 31, 2019, we selected a nonstatistical random sample of 60 properties (30 properties over 20,000 square feet that required 313 total quarterly inspections, and 30 properties under 20,000 square feet that required 67 total annual inspections and 93 total quarterly inspections) to determine if JLL performed all required inspections.

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<sup>21</sup> The number of unique lease expirations is higher than the number of individual leases because some leases expired during the audit period and management opted to extend one or more times. The extended leases also expired during the audit period.

## **SURPLUS PROPERTY PROGRAM**

To gain an understanding of the steps the department took to correct the prior finding, we interviewed the department's Director of Internal Audit and management of the Division of Vehicle and Asset Management.<sup>22</sup> We obtained and reviewed the following:

- the Surplus Property program's internal policies and procedures and other relevant surplus guides and forms; and
- the Department of Finance and Administration's Policy 32, "Maintaining Control Over Items That Are Not Capitalized," which shifted certain property internal controls from the statewide level to the department level.

In addition, we performed walkthrough procedures of the surplus process with appropriate department personnel and obtained and reviewed the January 2019 and March 2019 monthly reports, which showed the inactive assets in AssetWorks that staff needed to retire in Edison.

## **STAFF TURNOVER ANALYSIS**

To achieve our objective, we reviewed the department's turnover rates to gain an understanding of turnover trends. We compared the department's turnover rates to national rates obtained from the U.S. Department of Labor, Bureau of Labor Statistics. We analyzed turnover rates by business unit to determine business units with higher turnover. We interviewed department Human Resource staff and division management to gain an understanding of their process to monitor turnover and determine its impact on the department's mission.

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<sup>22</sup> The Surplus Property program is a section within the Division of Vehicle and Asset Management.