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The California State Auditor released the following report today:

California Department of General Services' Real Estate Services Division
To Better Serve Its Client Agencies, It Needs to Track and Analyze Project Data
And Improve Its Management Practices

BACKGROUND
Responsible for providing various real estate and property management services for most state departments and agencies, the California Department of General Services' (General Services) Real Estate Services Division (division) provides services related to planning, overseeing, or performing construction and maintenance projects on behalf of client agencies. As of February 2016, the division managed more than 24 million square feet of state-owned or state-managed facilities and nearly 1,200 major capital outlay, special repair, and minor capital outlay projects.

KEY FINDINGS
During our audit of the division's projects active between January 1, 2011, and June 30, 2015, we noted the following:

- The division did not prepare either time frame or cost estimates for four of 25 projects we reviewed, and it frequently exceeded its original estimates for the remaining 21 projects.
    - ✓ It surpassed its time estimates for 14 projects by more than 10 percent—in one case, the division estimated that the project would take approximately 5½ years, but it actually took more than 9 years to complete.
    - ✓ It exceeded the original cost estimate for 12 projects and did not fully prepare one for two projects.
    - ✓ Although the division has known since 2006 that it did not track critical project information, it still does not centrally track certain cost and time frame information for projects and thus, none of the branches can use the data system to centrally monitor projects or understand the reasons for delays or cost changes.

- General Services has not developed goals and objectives related to delivering projects on time and within cost estimates.

- While one of the division's branches reported that it had roughly 250 pending projects, it could not readily confirm why or how long these projects had been pending without manually reviewing each file.

- None of the branches have policies for tracking potential backlogs or determining why projects are pending.

- Competitive bidding can be costly and can take as long as six months compared to other less costly and lengthy contracting methods like, *job order contracting*—used by some entities for smaller or more repetitive projects.

- The division has not fully analyzed why its project management branch's hourly rates are significantly higher than those charged by private firms and thus, cannot ensure rates are competitive and the best value for the State.

- It has not clearly set expectations for how project managers will convey cost and time changes to client agencies.

KEY RECOMMENDATIONS
We recommended that the Legislature authorize the division to implement a pilot program for job order contracting for appropriate projects and that the division report time and cost savings within two years.

We also made several recommendations to the division including the following:

- Ensure the planned project management system can centrally track and extract project status data, identify its backlog of projects, and identify reasons for delays, cost overages, and ways to address issues.

- Develop a process to identify project status, delays, and cost overages while it implements the planned system and ensure that its strategic plan includes goals for timely project delivery.

- Periodically, analyze its rates and ensure that its project management rates are competitive with those of private sector firms that contract with the State.

- Ensure effective and consistent communication with client agencies.

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