

- “business lunches” totalling \$301 were claimed when only Agency officials were present;
- expenses exceeded allowable limits by \$982 for meal per diems; and
- meal per diems totalling \$348 were claimed when meals were already provided.

In 2003, without the use of an objective means of evaluation such as the Province's *Consultant's Guidelines*, the Agency selected a consultant to design and implement a new management structure. Officials indicated that the consultant was selected as a result of previous work. This consultant received a total of \$81,000.

Other instances of expenditures which were not consistent with Government policy included:

- Golf fees for staff and Board -\$907;
- Liquor for Board conferences and staff golf functions -\$505;
- Christmas dinners for Board (including spouses) -\$3,952; and
- Christmas luncheons for staff -\$305.

## **2.21 Vacant/Surplus Properties and Unused Space**

The Department of Transportation and Works is responsible for managing and maintaining approximately 653,000 square metres of floor space in 900 Government-owned buildings and properties, including vacant/surplus properties and unused space.

The vacant/surplus properties inventory per region as at 31 March 2005 comprises 62 buildings within 27 sites. This inventory includes 5 buildings not classified as vacant but which have a significant amount of unused space. The estimated value of this space, were it to be replaced today, is over \$183 million.

In our opinion, Government is not efficiently managing Government-owned vacant/surplus properties. Government does not have a long term strategy for the disposal or alternate use of Government-owned vacant/surplus properties. As a result, vacant/surplus properties continue to deteriorate while the Department incurs ongoing operational costs and increasing environmental remediation costs. More attention must be paid to timely environmental remediation of these sites and their subsequent disposal, re-use or re-sale. In particular we found:

#### *Inaccurate inventory database*

The Department's database on Government-owned buildings contains detailed information necessary for management. However, it is not kept current; at the time of our review in March 2005, the last inventory update began in September 2003 and was not completed until March 2004. We also found that the database was not accurate in that one vacant/surplus property was not included in the database, while in another instance a vacant/surplus property was recorded in the wrong category.

#### *Operating costs*

Government continues to incur significant annual operating costs for Government-owned vacant/surplus properties, with an annual average of over \$573,000 for the last five years. Approximately \$470,000 of the \$573,000 average annual costs relates to the Grace, the old Janeway and the former College of the North Atlantic.

#### *Environmental assessment and remediation costs*

Our review showed the cost of restoring vacant/surplus properties for an alternate use or re-sale (through environmental remediation) can significantly increase when those buildings are not maintained. The accumulating costs can make negative assets out of otherwise re-usable properties.

Although environmental remediation and demolition costs have not been determined for all vacant/surplus properties, the Department has estimated the following:

- Environmental remediation: \$5.87 million for nine vacant/surplus property sites; and
- Demolition costs estimated at \$6.23 million for twelve vacant/surplus property sites.

### *Alternate uses*

The Government does not have a process in place to deal with the timely disposal of vacant/surplus properties by finding alternate uses for them. For example: slow handling of an entrepreneur's request to take over the building site of the former Young Offenders' Institute in Whitbourne in 2001 resulted in losing an opportunity to dispose of a vacant/surplus property. Because the process took so long, the building deteriorated to an unacceptable condition and in 2003 the entrepreneur decided the building was no longer suitable for their business.

Likewise, the Government has not identified alternate uses for other vacant/surplus properties still suitable for occupancy. Some are being used for storage only.

### *Disposal strategies*

The Department has not demonstrated, through planning and budgeting, a commitment to disposing of unwanted vacant/surplus properties. For example, in its budget submission for 2005-06, the Department included a listing of environmental remediation program requirements for 2005-06 as well as future requirements. However, this listing did not include all the costs identified to date for the environmental remediation and/or demolition of all of its vacant/surplus properties. The Department did include \$2.0 million for future environmental assessments and remediation requirements but did not identify the vacant/surplus property sites to which these costs pertained.

## *Space allocation*

Although Government started a process in late 2004 to determine if there is any existing unused space within existing leased or owned buildings (covering Government departments, agencies, boards and crown corporations) which could be better utilized, no savings had been realized to the time of our review.

## **Chapter 3**

### **Update on Prior Years' Report Items**

This year we continued a process whereby our recommendations are monitored and the results reported within two years of the original report date. This Chapter provides the results of this monitoring process relating to the recommendations contained in 2003 and prior *Reports of the Auditor General to the House of Assembly on Reviews of Departments and Crown Agencies*.