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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 25, 2022

Jeanette Moy
Commissioner
Office of General Services
Corning Tower, 41st Floor
Albany, NY 12242

Re: Efficiency of Warehouse Space
Report 2021-F-20

Dear Commissioner Moy:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of General Services to implement the recommendations contained in our audit report, *Efficiency of Warehouse Space* (Report [2019-S-1](#)).

Background, Scope, and Objective

The Spending and Government Efficiency (SAGE) Commission was formed in 2011, in compliance with Executive Order Number 4, to review State government operations and processes to eliminate redundancies and implement cost-savings measures. After significant cost savings were achieved by moving many State agencies from privately leased offices to State-owned office buildings, the Warehouse Consolidation Initiative (Initiative) was implemented to achieve further savings by consolidating warehouse space used by State agencies.

In 2012, the Executive issued a memo on the subject of eliminating and consolidating excess warehouse and storage space throughout the State. State agencies were required to report on all leases for warehouse and storage space, detailing the term, location, annual rent, and square footage for each location; and, for State-owned facilities, locations and square footage, including a comprehensive inventory of the contents of each warehouse and storage space. The memo also indicated that it expected the State agencies to purge unnecessary and surplus items and assess internal record retention and inventory control policies and practices. Agencies were to report the requested information to the Office of General Services' (OGS) Enterprise Real Estate Team in the Office of Real Estate Planning and Development, now referred to as the Real Estate Center (REC), which was expected to conduct site visits to validate the responses as part of the Initiative. State agencies are responsible for reporting their space and its designated usage in the Asset Management System. In 2015, the Initiative was reassigned to OGS Administration and Operations' Support Services (Support Services).

Also in 2015, the Executive sent a second memo about the Initiative, stating that the REC was inventorying all State storage and warehouse space to determine whether to maintain existing space or to relocate, consolidate, or eliminate it. Commissioners and agency heads were directed to provide timely access to existing storage and warehouse locations, as well

as information and records to OGS staff. OGS was required to assess warehouse contents and operations in an effort to identify immediate and future cost reductions and institute best practices.

Support Services staff, with State agency officials present, evaluate each warehouse to determine if it meets the agency's needs, including an assessment of the following:

- Overall condition of the warehouse, its contents, and staffing;
- Contents of the warehouse to determine if they should be sold or repurposed and the warehouse liquidated; and
- Operations to determine if they should be sustained at the existing location (because there is a true business value and operations are being efficiently managed) or if they should be suspended and contents should be consolidated at an OGS-managed warehouse.

Consolidation occurs when Support Services evaluates, recommends, and receives approval from the leasing agency that the lease should not be renewed. The contents of the warehouse will generally be reduced, and the remaining contents consolidated and moved to an OGS-managed warehouse. Liquidation occurs when it is determined that the agency's lease should not be renewed and the warehouse items are to be disposed of, repurposed, or sold, and the State agency no longer has warehouse space. Space reduction occurs when a State agency keeps its warehouse space, but with reduced square footage. As part of the Initiative, Support Services established three consolidated warehouse/distribution centers in the Capital Region: the Albany, Guilderland, and Menands Distribution Centers.

Our initial report, covering the period January 1, 2014 through March 29, 2019, was issued on January 3, 2020. The objective was to determine if OGS had reviewed the warehouse space used by State agencies for cost-savings opportunities. The audit found that OGS had reduced leased warehouse space by 434,266 square feet and realized a cost savings of \$1,699,020; however, OGS had not yet reduced any State-owned warehouse space. We could not determine the Initiative's overall success, as an inventory of all State warehouses – leased and State owned – did not exist.

The objective of our follow-up was to assess the extent of implementation, as of April 2022, of the six recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

In March of 2020, in response to the COVID-19 pandemic, OGS shifted its priorities requiring the Consolidated Warehouse Distribution Operation (CWDO) to pivot and perform a variety of different services outside of its mission. These responsibilities included the purchase, receipt, and storage of millions of pieces of personal protective equipment (PPE) as well as entering into additional warehouse leases to receive and store this equipment.

Based on this shift in priorities during the pandemic, OGS has been limited in its efforts to consolidate warehouse space for cost-saving opportunities. It wasn't until recently that OGS began drafting a Memorandum of Understanding (MOU) with a State agency to consolidate warehouse space. OGS did perform 20 warehouse repurposing evaluations to identify suitable locations to store lifesaving PPE. Despite their shift in priorities, OGS was able to implement our six recommendations.

Follow-Up Observations

Recommendation 1

Identify all State warehouses – both leased and State owned – including those previously evaluated and those yet to be evaluated as part of the Initiative, and maintain a comprehensive central listing.

Status – Implemented

Agency Action – OGS has made progress in identifying and maintaining a comprehensive central listing of all State warehouses. According to our original report, OGS provided a list of 1,300 facilities, resulting from a survey sent to all State agencies as part of the Initiative. Additionally, OGS had 31 warehouse leases for 13 different State agencies. Currently, State agencies are responsible for reporting their space and its designated usage in the Asset Management System from which OGS provided an inventory of 2,115 facilities. OGS' current inventory also shows 22 warehouse leases for 11 State agencies.

Recommendation 2

Evaluate all State-owned and leased warehouses to optimize repurposing and cost-savings opportunities.

Status – Implemented

Agency Action – As a regular function, OGS management evaluates agency warehouse space and operations for efficient use of space and continuity of operations. OGS is currently drafting an MOU with the State Education Department (SED) for the consolidation of warehouse space into OGS-owned space as part of the Initiative. However, this is the first cost-saving consolidation OGS performed since the issuance of our original audit report due to its COVID-19 efforts. As part of OGS' efforts in supporting the State's COVID-19 response, OGS conducted 20 warehouse repurposing evaluations from March 2020 through March 2021 to determine which warehouses were suitable to store PPE. Evaluations were completed and results submitted to the Division of Homeland Security and Emergency Services (DHSES) who made decisions on whether to utilize the evaluated spaces. Further, OGS proposed DHSES' Radiological Emergency Preparedness (REP) Program assume control of a currently unused New York State Energy Research and Development Authority (NYSERDA) facility for COVID-19 relief efforts after evaluating the space.

Recommendation 3

Improve internal communication between the REC and Support Services to efficiently and effectively meet the Initiative's goals.

Status – Implemented

Agency Action – OGS stated that REC and Support Services had met on an ongoing monthly basis prior to the pandemic and that, recently, they've been meeting on a bi-monthly basis. OGS was able to provide email communications between the two units detailing the warehouse evaluations conducted for PPE storage. The emails contain pictures from the evaluations, observations regarding the physical condition of the space, and

determinations as to possible space consolidation efforts that could be performed to achieve immediate cost-savings.

Recommendation 4

Collaborate with State agencies to perform cost-benefit analyses of items being considered for warehouse storage.

Status – Implemented

Agency Action – In its response to COVID-19 efforts, OGS collaborated with State agencies to perform cost-benefit analyses of items being considered for storage as part of their warehouse evaluations for COVID-19-related storage feasibility. This included warehouses leased by NYSERDA and the Department of Environmental Conservation (DEC). The CWDO recommends ways the agencies can better consolidate spaces based on their evaluations. For example, the CWDO recommended that DEC perform a “mass clean sweep” of surplus-ready materials from all buildings and exterior storage locations at one of their sites. The evaluation also proposed that DEC work with OGS State Surplus and Fleet Management to enter the surplus of vehicles discovered on the evaluation into the auction cycle and maintain a credit for future purchases.

Recommendation 5

Work with State agencies to efficiently utilize State warehouse space.

Status – Implemented

Agency Action – OGS provided documentation highlighting communication with State agencies to efficiently utilize State warehouse space. As stated in the MOU between SED and OGS, SED will continue working with OGS to assess warehouse space for consolidation opportunities. Additionally, OGS consolidated warehouses for COVID-19-related storage at various State-leased spaces, and recommended DHSES’ REP Program assume control of one of NYSERDA’s unused facilities for COVID-19 relief efforts.

Recommendation 6

Retain forms used for reviewing and evaluating warehouses.

Status – Implemented

Agency Action – During our original audit, OGS provided a Consolidation Evaluation Template they use to assess warehouses to determine whether the spaces are adequate or deficient for their intended use. When evaluating warehouse space, OGS measures against three criteria: general accessibility, capabilities, and infrastructure. While this form wasn’t used during their COVID-19 evaluations, OGS was able to provide reports detailing their assessment of these same criteria, as well as pictures of the spaces reviewed and preliminary determinations as to whether the spaces were feasible for PPE storage.

Major contributors to this report were Peter Carroll, Don Cosgrove, and Brendan Reilly.

We thank the management and staff of OGS for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Bob Mainello, CPA
Audit Manager

cc: Annmarie Garceau, Director of Support Services Operations
David Sears, Director of Internal Audit