



## Real Estate Services

### 2017 Value-for-Money Audit

#### Why We Did This Audit

- Infrastructure Ontario oversees over \$5 billion of real estate assets belonging to government ministries and agencies.
- Annual maintenance and operating costs exceeded \$215 million in 2016/17.
- Hospitals were experiencing difficulties with the maintenance component of their Alternative Financing and Procurement (AFP) Agreements.

#### Why It Matters

- Government properties that Infrastructure Ontario manages are used by all 30 ministries and their related agencies to plan and deliver public services.
- Government properties that are not used and maintained effectively can incur unnecessary costs for taxpayers, and can negatively impact delivery of programs and services.

#### What We Found

- Better oversight of project managers for capital projects is needed. Infrastructure Ontario does not obtain sufficient information from them to assess whether the procurement of vendors for client ministry and agency capital projects is done in a competitive and fair manner. Project managers are also not held accountable for meeting the original completion dates of capital projects. They can revise the completion dates while the project is ongoing and Infrastructure Ontario does not always ensure the change is for valid reasons.
- Infrastructure Ontario is using preliminary estimates to prioritize which capital projects to work on. They informed us that the initial cost estimates derived from its asset management system are limited as they do not factor in the additional costs that might be incurred to address actual site conditions. This could increase the risk of selecting projects that do not yield the highest cost-benefit, since subsequent estimates and the actual cost of the projects tend to be significantly higher than the initial cost estimates.
- Deferred maintenance of government buildings has more than doubled from \$420 million as of March 31, 2012, to \$862 million as of March 31, 2017. Over the last six years, the average condition of government properties has deteriorated from excellent to almost a poor level of condition as measured by the industry standard. Preventative maintenance, if done on a timely basis, can result in savings from avoiding future more costly repairs.
- Over \$170 million in office accommodation costs could be saved annually if effective steps are taken to reduce the space occupied per government staff person to comply with the 2012 Office Accommodation Standard of 180 rental square feet per person set by the Ministry of Infrastructure. Neither the Ministry nor Infrastructure Ontario has set a goal for when this standard should be met.
- Infrastructure Ontario developed a divestment plan in 2015/16 to sell or otherwise dispose of buildings. Almost \$19 million was spent in 2016/17 on operating and maintaining 812 vacant buildings out of 4,838 buildings in the portfolio. About 600 of the 812 buildings have been vacant for an average of almost eight years. Infrastructure Ontario was unable to readily locate vacancy dates for the other 212 buildings. During 2016/17, approximately 20 buildings out of their divestment plan were sold.
- Hospitals have incurred additional administrative and legal costs to administer the maintenance component of their AFP agreements. They informed us that these agreements do not cover all maintenance work that hospitals require. Hospitals reported ongoing disputes with private-sector companies over the reasonableness of certain maintenance costs that were not anticipated in their original AFP agreements.

#### Conclusion

- Infrastructure Ontario did not have effective systems and procedures in place to: oversee the companies that it contracted with to provide most capital repair and property management services for government ministries and agencies; maintain the condition of government properties; improve office space utilization on a timely basis; and divest excess properties on a timely basis.
- AFP agreements were expected to cover all hospital maintenance costs. However, hospitals are having to spend portions of their operating budgets on additional maintenance costs.
- The agreement between Infrastructure Ontario and the Ministry of Infrastructure needs better performance standards to incentivize Infrastructure Ontario to manage and maintain government properties more cost-effectively.