



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued April 27, 2018

Review of the Commonwealth's Recycling Practices— Division of Capital Asset Management and Maintenance

For the period July 1, 2014 through December 31, 2016





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Making government work better

April 27, 2018

Ms. Carol Gladstone, Commissioner
Division of Capital Asset Management and Maintenance
1 Ashburton Place, 15th Floor
Boston, MA 02108

Dear Ms. Gladstone:

I am pleased to provide this performance audit of the Division of Capital Asset Management and Maintenance. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through December 31, 2016. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Division of Capital Asset Management and Maintenance for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular watermark.

Suzanne M. Bump
Auditor of the Commonwealth

cc: Michael J. Heffernan, Secretary, Executive Office for Administration and Finance

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	3
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	5
1. The Division of Capital Asset Management and Maintenance did not effectively administer recycling activities at state-owned buildings or properties leased by state agencies.	5
a. The Division of Capital Asset Management and Maintenance did not ensure that all solid waste recycling requirements in state-owned buildings were met.	5
b. DCAMM did not monitor compliance with the recycling provisions of leases executed on behalf of state agencies.....	7

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of the Division of Capital Asset Management and Maintenance (DCAMM) for the period July 1, 2014 through December 31, 2016. We conducted this performance audit to assess DCAMM's administration of recycling activities at various state-occupied and/or state-leased buildings as prescribed by its own Facilities Management & Maintenance Standard 04 as well as Section 7C of the Commonwealth's Executive Order 515.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1a Page 5	DCAMM did not ensure that all solid waste recycling requirements in state-owned buildings were met.
Finding 1b Page 7	DCAMM did not monitor compliance with the recycling provisions of leases executed on behalf of state agencies.
Recommendations Page 8	<ol style="list-style-type: none">1. DCAMM should develop administrative policies and procedures that provide for oversight of facility managers' activities. These policies should require regular performance of solid waste stream audits, written waste management plans, documented recycling/waste management policies and procedures, monthly collection and analysis of hauler reports, and maintenance of written records to document the monitoring process.2. Facility managers should investigate the availability of credits to offset the cost of recycling.3. DCAMM should establish administrative policies and procedures that require monitoring of compliance with the recycling provisions of leases and should communicate these requirements to state agencies occupying leased space.

OVERVIEW OF AUDITED ENTITY

The Division of Capital Asset Management and Maintenance (DCAMM), an agency within the Executive Office for Administration and Finance, was created by the state Legislature in 1980 and is responsible for administering all capital planning, major public building construction, and facilities management activities for more than 65 million square feet of building space occupied by Commonwealth agencies. DCAMM is also responsible for all state real estate activities, including leasing space for offices and other facilities on behalf of state agencies.

DCAMM's Office of Facilities Management and Maintenance (OFMM) operates active state buildings covering more than 6 million square feet. At the time of our audit, OFMM had approximately 150 full-time employees. According to its website, the office "provides resources to extend asset life, minimize operating costs, and maximize building efficiency at Commonwealth facilities." OFMM has developed Facilities Management & Maintenance Standards for the effective operation and maintenance of buildings, including Standard 04, which established baseline requirements for solid waste and recycling services at Commonwealth buildings. Seven facility managers oversee the janitorial and solid waste removal activities at the 10 state buildings that DCAMM directly manages. In this report, the term "solid waste" refers to items one would typically throw away. Some of these items, such as paper, glass, and plastic containers, can be recycled, collected, and processed for reuse. Solid waste management is also directed at ensuring that certain solid waste materials are disposed of in an environmentally safe fashion, avoiding incineration and the use of landfills.

In addition to state-owned property, DCAMM's Office of Leasing and State Office Planning is responsible for oversight of approximately 7.5 million square feet of space leased from private and public property owners on behalf of various state agencies. This office currently has approximately 15 full-time employees, 6 of whom are project managers who coordinate lease activities with property owners and state agencies occupying privately owned property.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of the Division of Capital Asset Management and Maintenance (DCAMM) for the period July 1, 2014 through December 31, 2016.

We conducted this performance 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.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. At state-owned buildings, does DCAMM comply with its Facilities Management & Maintenance Standard 04 and Section 7C of Executive Order 515, including the following?	
a. ensuring that agencies are aware of solid waste requirements	Yes
b. ensuring that banned materials do not go to landfills	No; see Finding 1a
c. ensuring that janitorial providers separate recyclables from other waste material	Partially; see Finding 1a
d. ensuring that credits are provided for recyclable materials with value	No; see Finding 1a
e. ensuring that solid waste stream audits are conducted, hauler reports are collected, and both are used to improve waste management	No; see Finding 1a
2. Does DCAMM include language in its Requests for Proposals and leases for agencies procuring private space that requires recycling of waste material in accordance with Section 7C of Executive Order 515?	Yes
3. Does DCAMM monitor the implementation of policies for private property the state leases that are similar to those set forth for Commonwealth buildings in its Facilities Management & Maintenance Standard 04?	No; see Finding 1b

We gained an understanding of DCAMM's internal control environment related to our audit objectives by reviewing applicable laws, regulations, and agency policies and procedures as well as conducting inquiries with management.

To achieve our objectives, we performed the following audit procedures:

- We obtained a list of all 21 state buildings managed and/or operated by DCAMM. Of the 21 properties, we excluded 11 from our review because DCAMM was not responsible for monitoring the janitorial services at those buildings.
- We visited the 10 state buildings where DCAMM directly manages janitorial and trash-removal activities. Some buildings contained multiple state agencies. We interviewed the facility manager at each building and observed the recycling activities at each building, as well as those of at least one state agency within each building, to determine the level of recycling performed and evaluate adherence to Facilities Management & Maintenance Standard 04.
- We obtained from DCAMM a list of 517 leases that were active as of the end of our audit period, December 31, 2016. We eliminated 120 leases that we determined were for buildings with confidential addresses. From this revised list of 397 leases, we randomly selected a sample of 50 leases for review. We surveyed the recycling activities at the buildings under those leases by sending a survey to each agency occupying one of the buildings to verify that recycling was performed at that location and to determine whether building owners were meeting the recycling requirements in the leases. Of the 50 agencies whose leases were part of our sample, 39 responded to our survey.
- From the above population of 397 leases, we chose a sample of 50 leases and obtained copies of the Request for Proposals and Lease Agreement to determine whether they contained the required recycling language in accordance with Section 7C of Executive Order 515.

We obtained a published list of state-owned buildings from DCAMM's website, interviewed management, and compared the published data to information provided by management. We concluded that the data were reliable for the purposes of our audit.

We performed a data reliability test on the list of leases we received from DCAMM. We traced five hardcopy lease files to the list of leases and traced five leases from the list to hardcopy files. We concluded that the data in the list of leases were reliable for the purposes of our audit objectives.

Whenever sampling was used, we applied a nonstatistical approach, and as a result, we were not able to project our results to the entire populations.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Division of Capital Asset Management and Maintenance did not effectively administer recycling activities at state-owned buildings or properties leased by state agencies.

a. The Division of Capital Asset Management and Maintenance did not ensure that all solid waste recycling requirements in state-owned buildings were met.

The Division of Capital Asset Management and Maintenance's (DCAMM's) facility managers at state-owned and state-occupied buildings did not ensure that occupants of those buildings adhered to established solid waste recycling requirements. By not ensuring that occupants in state-owned buildings fully comply with these requirements, DCAMM creates a higher-than-acceptable risk of building occupants improperly handling their solid waste and losing the opportunity to obtain revenue (recycling credits for the value of recycled materials) that would reduce the Commonwealth's costs for waste disposal.

We visited 10 state buildings, spoke with the DCAMM onsite facility managers at each building, and determined that none of the facility managers performed solid waste stream audits;¹ had written waste management plans or recycling/waste management policies or procedures; monitored or maintained records of solid waste trash removal and recycling activities at their buildings; or received waste hauler reports² regularly and used the information on such reports to determine the right service level, identify inefficiencies, and track recycling progress. Six of the buildings we visited used single-stream³ recycling, and others were partially recycling (they recycled paper, but not bottles or cans). Further, none of the facility managers had inquired about any possible credits available for recycled materials.

Authoritative Guidance

According to Section 7C of Executive Order 515,

*Agencies shall **ensure** that they integrate increased recycling practices in the disposal of their own waste materials, including but not limited to paper, glass, cans, plastic bottles,*

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1. Waste stream audits analyze the quantities and types of waste disposed of to identify areas for enhanced recycling and/or cost savings.
 2. Waste hauler reports are provided by waste service providers and indicate the quantity and type of refuse removed from a facility.
 3. Single-stream recycling is the removal of all waste, regardless of type, in one container.

containers, and electronic equipment. This effort shall include the positioning of recycling bins in their offices and the contracting for recycling services to pick up and recycle these materials. [Emphasis added.]

As the state agency responsible for facilities management at all state-owned and state-occupied facilities, DCAMM is responsible for ensuring that occupants at these facilities comply with the solid waste recycling requirements of Section 7C of Executive Order 515.

According to DCAMM's Facilities Management & Maintenance Standard 04, a solid waste stream audit is necessary for all buildings owned and managed by the Commonwealth. The standard also states that facility managers should collect monthly hauler reports in order to calculate waste diversion and waste removal costs.

The standard also includes the following:

1.0 Roles and Responsibilities

*1.1 The **OFMM Director of Operations and Maintenance** or an appointed designee, shall ensure implementation of this Standard and its requirements at all **Commonwealth facilities**. . . .*

1.4 Facility Managers

- a. Work with DCAMM and the building **occupants** to develop a solid **waste** management policy that establishes hierarchy for management of waste within the facility.*
- b. Work with DCAMM and building occupants to identify a solid **waste** management plan that outlines service levels, locations, equipment and staff responsibility. . . .*
- h. Ensure that banned materials collected do not go for disposal at landfills, municipal **waste** combustion facilities, or transfer stations. Implement recycling collection programs with haulers that ensure collection and management of all restricted materials in a way that prevents disposal. . . .*

2.0 Implementation. . . .

*2.4 Facility Managers shall ask contractors to provide credits for **recyclable** materials that are uncontaminated and have a market value. . . .*

7.0 Recordskeeping

*7.1 A solid **waste**/trash stream audit is necessary for all buildings owned and managed by the Commonwealth to identify the following solid **waste** related issues for the facility. . . .*

- e. Disposal Records: Indicate receipt and acceptance of waste by landfills, municipal waste combustion facilities, and transfer stations licensed to accept waste materials. Include manifests, weight tickets, receipts, and invoices.*

Reasons for Noncompliance

DCAMM does not have any monitoring controls in place to ensure that its onsite facility managers properly implement, and ensure adherence to, the established solid waste recycling requirements. In addition, according to DCAMM officials, facility managers are “occupant focused” and spend the majority of their time working on occupant issues, leaving little time to collect and review monthly hauler reports or perform solid waste stream audits.

b. DCAMM did not monitor compliance with the recycling provisions of leases executed on behalf of state agencies.

DCAMM’s administration did not ensure that property owners adhered to contractually agreed-upon recycling requirements. DCAMM’s lack of monitoring for compliance with the recycling provisions of leases could have an adverse environmental effect.

We surveyed 50 state agencies that were leasing properties through DCAMM and received responses from 39. Our survey revealed the following:

- 21 (54%) of the agencies were not aware of DCAMM’s recycling policies and procedures.
- 19 (49%) of the agencies were not aware the leases contained recycling language.
- 19 (49%) of the agencies performed partial recycling.
- 14 (36%) of the agencies performed full (single-stream) recycling.
- 6 (15%) of the agencies did no recycling.

Authoritative Guidance

According to Section 7C of Executive Order 515,

Agencies shall ensure that they integrate increased recycling practices in the disposal of their own waste materials, including but not limited to paper, glass, cans, plastic bottles, containers, and electronic equipment. This effort shall include the positioning of recycling bins in their offices and the contracting for recycling services to pick up and recycle these materials.

The requirements of this order are explicitly incorporated into the standard lease executed between DCAMM and owners of properties leased to state agencies.

Reasons for Noncompliance

DCAMM has not established controls to monitor building owners' compliance with lease provisions regarding recycling. Rather, according to DCAMM officials, after leased space is occupied, DCAMM relies on the tenants to inform it of any concerns or noncompliance with the leases on the part of the building owners.

Recommendations

1. DCAMM should develop administrative policies and procedures that provide for oversight of facility managers' activities. These policies should require regular performance of solid waste stream audits, written waste management plans, documented recycling/waste management policies and procedures, monthly collection and analysis of hauler reports, and maintenance of written records to document the monitoring process.
2. Facility managers should investigate the availability of credits to offset the cost of recycling.
3. DCAMM should establish administrative policies and procedures that require monitoring of compliance with the recycling provisions of leases and should communicate these requirements to state agencies occupying leased space.

Auditee's Response

DCAMM is committed to improving our facility management systems to ensure that solid-waste stream audits are conducted periodically and that written waste management plans, policies and procedures are in place at all state-owned buildings. DCAMM will create written guidance for facility managers informing them how to collect and analyze monthly hauler reports and manifests and how to monitor and enforce contract requirements. Further, DCAMM will investigate the possibility of receiving credits to offset solid-waste hauling charges, and we will work with the Operational Services Division to ensure that our contractors meet the state contract specifications relative to securing credits as available. . . .

DCAMM acknowledges that we can do more to provide for monitoring compliance with the recycling provisions in leases. As a result of this audit, DCAMM's Office of Leasing is updating its communication protocol whereby user agencies will be advised of the services that the lease requires of the landlord including, but not limited to, recycling.