



## Statewide Financial System Program Agenda/Minutes

<b>Date:</b>	4-22-2014	<b>Time:</b>	9:30PM – 10:30AM
<b>Subject:</b>	Department of Labor (DOL) Lease Management Discussion	<b>Location:</b>	DOL Accounting Conference Room 464
<b>Meeting Facilitator:</b>	Paul Stewart (SFS)	<b>Minutes Prepared by:</b>	Paul Stewart (SFS)
<b>Objective:</b>	Statewide Financial System (SFS) Team gain understanding of current Lease Management Process and systems in place at DOL		

Attendees:				
Szelest, Margo	X	Burns, Chris	X	
Farrell, Peg	X	Hughes, Deb	X	
Stewart, Paul	X	Holland, Tom	X	
Danaher, Paul	X	Donnelly Emily	X	
Rossi, Mark	X			

**Agenda:**

What	Who	Time
Discussion on Lease and Real Property Management	Paul Stewart	

OLD Action Items				
Task Assigned	Staff Assigned (first and last name)	Due Date	To Do Added (PMO Use)	Requirement #
N/A				

NEW Action Items				
Task Assigned	Staff Assigned (first and last name)	Due Date	To Do Added (PMO Use)	Requirement #
Provide a printout from RENT of the data captured in the RENT database	Emily Donnelly	4-24-2014		N/A
Check on lease obligation practice and policy for the state and the federal government state reporting requirements to formulate a recommended solution to the issue of reporting lease obligations from SFS in the future state.	Margo Szelest	4-24-2014		N/A

The Following Decision(s) Have Been Made
<b>Decision:</b> N/A  None

The Following Decision(s) Are Pending
<p><b>Decision:</b> N/A</p> <p>Staff Assigned (first and last name):</p> <p>Due Date:</p>

Minutes:

### DOL Leased Space

DOL has approximately 80 leases. There are approximately 25 subleases on the leased space. Typically there is one sublease to a leased space but a few leased spaces have multiple subleases. DOL Property Office tracks leases on an Excel spreadsheet. DOL Accounting maintains an Access Database (RENT) that contains these same leases for the purpose of generating monthly lease accrual transactions for input to FARS.

Encumbrance of funds for lease payments and the lease payment is handled by FARS.

The DOL Property Office lease spreadsheet maintains detail information on the lease including:

- Office General Services (OGS) Lease Number and Type of Agreement (Lease, State Owned Building-SOB, License Agreement, Permit Agreement)
- Office of the State Comptroller (OSC) Lease Number
- Address and L.O.
- Function
- Floor
- Population (number of DOL employees at the leased space)
- Area square footage (both rentable, usable and BA 20 Approval square footage)
- Rent per square foot
- Annual Rental
- Code on expenses included with annual rental (J=janitorial services included; E=electricity included; H=heat included)
- Square feet per person
- Annual lease cost per person
- Lease Expiration Date
- Notice of Cancellation Clause
- Notice of Renewal Option
- Remarks which captures other costs associated with the lease such as Real Estate Tax or Operating Cost escalation factors
- Landlord Address
- Landlord Contact Numbers (Name and phone number, could be multiple in this cell)
- M&J Clause (yes or no)
- Redecoration Clause (Y or N and date available if Y)
- M&J Contractor Address & Phone Number
- Full time Ancillaries & Square Footage
- Ancillary Amount Yearly
- Local Office Manager and Phone Number

There is a report that is printed from the Excel database that is labeled Department of Labor Space Analysis that provides all of the above listed information.

When DOL needs to lease space they provide the relevant information to OGS and OGS negotiates the lease on DOL's behalf. Once the lease is negotiated OGS turns over the information on the lease for DOL to

manage. At this point DOL updates the Property Office lease spreadsheet with the terms and other lease information.

FARS creates the AC340 to process the encumbrance through the control agencies. The DOL Budget Office determines the location code for the lease. The location code is the cost center used by DOL.

Ancillary Agreement is an agreement where DOL subleases space to a non DOL partner. The property office and DEWS work out the rent amount to be charged in an ancillary agreement. Accounting bills for the ancillary agreement.

License Agreement is an agreement with OGS or with a partner where DOL is subleasing space from OGS or the partner where OGS or the partner owned the building.

Permit Agreement is an agreement with a partner where DOL is subleasing space from a partner where the partner does not own the building. Permit agreements must be less than \$50,000 over a five year period.

Receipt of payment is entered in the SFS through bulkload direct entry as a Refund of Appropriation (ROA). DOL typically pays the landlord rent and then bills the sublease for their share of rent.

Leases will be procurement contracts. The current FARS location code represents the department code for cost allocation purposes. Lease expense is allocated to each department based on percentages determined on an excel spreadsheet that maintains the number of employees occupying the leased space and the department they are assigned to. A percentage based on square foot occupied to total square foot leased is used to split lease expense into department components. FARS location code tables are populated with the percentages to be charged to each department for each location. FARS allocates the rent to the department and project code. Federal rent is allocated to the divisional cost center overhead cost pool project code which then goes through another allocation process.

## **DOL Owned Buildings**

Owned buildings are listed in an Excel spreadsheet that captures major capital improvements to the building. Capitalization limits are for improvements equal to or greater than \$100,000.

OGS provides maintenance for Building 12 on the Harriman State Campus. OGS bills DOL for maintenance services. Other DOL owned buildings are not maintained by OGS.

The Federal Government (USDOL) providing funding for the construction of Building 12 on the Harriman State Campus as well as the DOL building in Brooklyn and the one in Hicksville. The federal government has a say in the use of sales proceeds if DOL was to sell any of these buildings. The sales proceeds need to be put into a new DOL building or the refurbishment of an existing building for DOL use.

Building 12 is 90% owned by the federal government (USDOL) and 10% owned by the State. The Brooklyn building and the Hicksville building are 100% owned by the federal government (USDOL).

OGS does an annual survey of buildings to determine whether state buildings are still 100% used and whether or not the building's square footage has changed.

## **Accounting for Leased Space**

DOL encumbers funds for lease expense 6 months in advance. DOL expends funds monthly as monthly rent expense. Currently FARS and SFS show the amounts differently as the funds are encumbered (obligated) in the SFS and pre-encumbered (committed) in FARS.

DOL is required to report lease obligations to the federal government. The federal government defines lease obligations as next 30 days rent and any rent cancellation fees. DOL will need to work out how to report lease obligations from the SFS if the practice of obligating 6 months of rent continues in SFS.

OGS bills DOL for monthly costs of employees that maintain space for DOL where DOL uses the space to conduct federal grant work so that these costs can be billed through to the federal government. Even though OGS policy is to bill DOL monthly for these costs, typically the bill is quarterly and usually late.

Square footage assignment to various DOL Departments is determined at the point that DOL takes occupancy of the space. Square footage is used to first allocate rent expense to the departments (divisions) occupying the space. A second allocation is performed where the rent cost assigned to each department is either direct charged to projects (for state funded projects) or charged to projects through the divisional cost center allocation process (for federally funded projects).

Once a lease is set up and approved through OGS for a term, rent payments are made automatically each month. In addition, fixed payments for agreed upon costs such as maintenance and utilities are also automatically paid. The Accounting Office will receive bills for variable costs, such as when a lease agreement includes language that we will pay 50% of utilities, maintenance, etc. These bills are initially received by the Property Office where they are reviewed/approved and then sent to the Accounting Office for payment. Once these invoices are approved, additional funds are encumbered for which the Budget Office provide approval and the proper coding.

FARS uses the following terminology to represent accounting transactions:

- Class 5 = expenditure
- Class 7 = commitment

### **SFS onboarding relevance**

DOL leases are currently in OGS's lease management system (REALNET). DOL does not have direct access to the information in this system and maintains a spreadsheet to manage lease payments.

OGS is replacing its lease management system (REALNET) and its asset management system for buildings and capital assets (PAM) with the following PeopleSoft (PS) modules:

- Asset Management
- Maintenance Management (includes work order management)
- Project Management
- Program Management

This effort is an expanded scope under EE1 with a delivery date of October 1, 2015.

For DOL onboarding (April 1, 2015) lease management SFS functionality will be under development. For DOL the existing Excel Spreadsheets used to manage DOL leases will remain with accounting entries based on lease agreements and monthly invoices entered in the SFS as they are entered in FARS today.

Once OGS has replaced PAM and REALNET there may be an opportunity for DOL to access the SFS components used by OGS to maintain lease information and retire the user of excel spreadsheets.

### **Action Items**

<b>Create Date</b>	<b>Source</b>	<b>Action</b>	<b>Due Date</b>	<b>Owner</b>
4-22-14	DOL Lease management discussion	Provide a printout from RENT of the data captured in the RENT database	4-24-2014	Emily Donnelly - has compiled and will be forwarding this information to SFS.

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4-22-14	DOL Lease management discussion	Check on lease obligation practice and policy for the state and the federal government state reporting requirements to formulate a recommended solution to the issue of reporting lease obligations from SFS in the future state	4-24-2014	<p>Margo Szelest - OSC's standard procedure for lease encumbrances is 12 mos. (April – March) as the majority of leases held by agencies are state funded. However due to DOL having mostly federally funded leases, we are allowed to encumber 6 months at a time to ensure we have both state appropriation and federal appropriation authority to encumber the expected lease costs.</p> <p>Is it possible to establish a pre-encumbrance (commitment) for a lease without the pre-encumbrance reflected as an obligation/encumbrance in SFS reports?</p>
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**Decisions**

None