



# Office of the Internal Auditor



Confidentiality  
Integrity  
Ethics  
Objectivity  
Competency

## MEMORANDUM

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**Date:** March 15, 2017

**To:** Cherri Linn, Director of Facilities Management

**From:** Angela Smith, Senior Internal Auditor  
John Fox, Auditor Director

**cc:** See Distribution

**Subject:** Jacksonville Office Space Relocation and Real Estate Consolidation Program

### **Background**

Citizens Property Insurance Corporation (Citizens) implemented a real estate strategy to consolidate operations from nine office space locations to a single office location within each of the cities where Citizens currently operates. The timing of the Jacksonville consolidation was aligned with the expiration of four building leases. Management also consolidated three Tallahassee leases (four buildings) to one building utilizing an existing lease. The office relocation to Citizens Centre 1 was completed in 4<sup>th</sup> quarter 2016. The real estate consolidation is expected to save money and realize significant improvements in the way Citizens operates. The consolidation effort has provided the opportunity to explore ways to improve operational efficiencies and business collaboration, optimize employee and training development opportunities, and increase cost savings, while improving the functionality of leased office space.

Total estimated cost for the initial ten (10) year lease term is \$41.7 million. This does not include the potential five (5), two (2) year renewal terms that may be exercised. The estimated cost for the procurement of modular furniture, equipment and other required start up materials for Facilities and General Services is \$3.5 million. The estimated one-time cost of IT infrastructure to support this program is \$3.9 million. Total amount approved by the Board of Governors for the ten (10) year lease and prepare the new Jacksonville facility for occupancy was estimated at: \$49.1 million.

### **Objectives and Scope:**

Following our monitoring of the building consolidation project, we completed an assessment of project expenses to evaluate whether expenses incurred to relocate operations to the EverBank Center were accurate, appropriately authorized and did not exceed the board approved budgeted amount. In addition, we assessed management's analysis of opportunities to reduce costs related to the office space consolidation.

The Office of the Internal Auditor performed the following:

- Completed various data analytics tests on the Jacksonville consolidation expenses and reviewed a sample of invoices associated with the project to ensure payments made to vendors were accurate and appropriately authorized.
- Reviewed record keeping and reconcilements for the one-time IT infrastructure, furniture, equipment and start up material expenses incurred to relocate operations to EverBank Center to the board approved budgeted amount.
- Reviewed the Lease Consolidation Cost Reduction Analysis for the Jacksonville and Tallahassee Office Space Consolidation project to assess whether forecasted cost savings and operational efficiencies were achieved as a result of the office space consolidation.
- Interviewed the Director of Facilities Management as well as reviewed the leasing agreement for the EverBank Center to determine if Citizens obtained the required leased square footage outlined in the workspace requirements of the real estate strategy.

## **Results**

Our audit work indicated that:

- The invoices submitted by the vendors were accurate and appropriately authorized.
- The one-time IT infrastructure, furniture, equipment and other start up materials expenses incurred to relocate operations to EverBank Center came under budget by \$187 thousand.
- The cost savings of the Citizens real estate consolidation project was projected over a six year period beginning in 2014. The original six year savings were estimated at \$13.4 million, and with one year of EverBank Center expenditures completed, were revised to \$8.0 million to include several one-time cost factors.
- The real estate consolidation has the potential for increased productivity as employees are in one location reducing travel time and cost and providing the opportunity for effective collaboration and training development activities. The efficiency savings results are difficult to quantify, however the access between employees, ability for large capacity meetings instead of multiple meetings, and employee access to training and HR services has noticeably increased.
- Citizens acquired 234,150 square feet or 30% of the net usable space of the EverBank Center of which 1,485 square feet is provided at no charge. Rent is calculated based on 232,665 square feet which is well within the +/- 5% square foot target of the initial workspace requirements of 226,440 square feet of the Invitation to Negotiate.

## **Conclusion:**

Results from our audit confirmed that actual expenses incurred to relocate operations to the EverBank Center were accurate, appropriately authorized and did not exceed the board approved budgeted amount. In addition, the real estate consolidation project should result in cost savings and increase efficiencies. We encourage management to continue monitoring the realization of cost savings through completion of the remaining four year period.

We would like to thank management and staff for their cooperation and professional courtesy throughout the course of this audit.

Distribution:

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