

A Performance Audit of the

Division of Facilities Construction & Management

Strengthening Oversight,
Accountability, and Transparency

Office of the Legislative
Auditor General

Report to the UTAH LEGISLATURE







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CFE

Brain Dean, Manager, CIA, CFE

Jacob Davis, Lead Performance
Auditor

Dru Faldmo, Audit Staff

Enoch Paxton, Audit Staff

Office of the Legislative Auditor General

olag.utah.gov





Office of the Legislative Auditor General

Kade R. Minchey, Legislative Auditor General

W315 House Building State Capitol Complex | Salt Lake City, UT 84114 | Phone: 801.538.1033

Audit Subcommittee of the Legislative Management Committee

President J. Stuart Adams, Co-Chair | Speaker Mike Schultz, Co-Chair

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September 15, 2026

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report:

“A Performance Audit of the Division of Facilities Construction & Management: Strengthening Oversight, Accountability, and Transparency” [Report #2026-27].

An audit summary is found at the front of the report. The scope and objectives of the audit are included in the audit summary. In addition, each chapter has a corresponding chapter summary found at its beginning.

[Utah Code 36-12-15.3\(2\)](#) requires the Office of the Legislative Auditor General to designate an audited entity’s chief officer. Therefore, the designated chief officer for the Division of Facilities Construction and Management (DFCM) is Andy Marr. Andy Marr has been notified that they must comply with the audit response and reporting requirements as outlined in this section of *Utah Code*.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

Kade R. Minchey, CIA, CFE

Auditor General

kminchey@le.utah.gov



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***Audit. Lead. Achieve.** These principles reflect both what we do and how we do it. We believe every organization can improve, and we can help. Our goal is to provide decision-makers with actionable information that supports continuous improvement, informed governance, and long-term success. To meet this goal, our findings must be objective, independent, and grounded in evidence. We design recommendations to be constructive, practical, and focused on helping organizations build upon their strengths. Our audits are designed to help policymakers better serve the people of Utah.*

What the Division of Facilities Construction and Management Is Doing Well

The Division of Facilities Construction and Management (DFCM) serves an important role in safeguarding against capital project risks and noncompliance and adds value to state entities' capital project management. This audit identified areas where DFCM is already improving. In October 2025, before this audit began, the Department of Government Operations (DGO) reported on a deep dive study of DFCM which identified weaknesses in the division and areas for improvement. Furthermore, DGO moved DFCM's accounting operations under departmental oversight and the division itself has improved internal review processes. These recent efforts reflect a willingness to make meaningful improvement by both the division and DGO.

How This Report Supports Improvement

While DFCM has made meaningful progress, this audit identified opportunities for the division to strengthen its stewardship of public resources. Specifically, we found that DFCM needs to improve its oversight and monitoring of capital projects, especially when state entities conduct construction activities without DFCM oversight. We also identified opportunities for the division to improve transparency by providing the Legislature with better information, which can help policymakers to make more informed capital project funding decisions. Our findings and recommendations are designed to improve the division's oversight, transparency, and operations to enable DFCM to better protect the interests of the state.

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PERFORMANCE AUDIT

AUDIT REQUEST

In October 2025, the Legislative Audit Subcommittee prioritized an audit of the Division of Facilities Construction and Management (DFCM). The request asked OLAG to evaluate the division's construction standards and efficiency, including how projects are selected and the oversight provided throughout the construction process.

BACKGROUND

The Division of Facilities Construction and Management oversees state construction and facility operations on behalf of the state. The division is responsible for helping protect public resources and providing information that supports legislative decisions regarding capital facilities and construction projects.

OVERSIGHT AT THE DIVISION OF FACILITIES CONSTRUCTION & MANAGEMENT



KEY FINDINGS

- ✓ DFCM Needs to Improve Its Supervision and Control of Capital Projects
- ✓ Improved Oversight and Reporting of Space Planning Will Facilitate Better Capital Project Planning
- ✓ DFCM Should Transparently Justify Its Costs to the Legislature



RECOMMENDATIONS

- ✓ **1.1** DFCM should establish a comprehensive monitoring program for all projects under its jurisdiction, including delegated projects. Management should demonstrate a willingness to enforce compliance based on information generated by this monitoring program.
- ✓ **1.3** DFCM should provide its independent, professional assessment of the appropriateness of each project's size and scope.
- ✓ **1.4** DFCM should align project manager performance evaluations with the division's dual responsibilities to serve agencies and provide independent oversight.
- ✓ **2.1** DFCM should evaluate its design requirements and document the costs and benefits of standards that increase costs, revising or eliminating those that cannot demonstrate cost-effectiveness.
- ✓ **2.4** DFCM should establish benchmarks of capital project costs across state, local-government, and private-sector projects and report the results to the Legislature.

 **REPORT
SUMMARY**

DFCM Needs to Improve Its Supervision of Capital Projects and Its Oversight of Project Planning

DFCM has not fully exercised its statutory oversight role. The division does not adequately monitor capital projects and, as a result, unauthorized projects, building code deficiencies, and other indicators of risk have gone unaddressed.

DFCM's insufficient space-planning controls and validation processes limit its ability to independently verify agency space planning for capital projects. This failure deprives the Legislature of the full benefit of DFCM's professional opinion.

DFCM Should Transparently Justify Its Costs to the Legislature

Current DFCM leadership must ensure that the division quantifies the cost-effectiveness of its design requirements according to statute for each facility. Without this information, DFCM cannot adequately justify additional project costs with measurable long-term benefits, and policymakers cannot fully understand the impact of the state's design requirements.

Division leadership has not established a consistent benchmarking process capable of answering whether state projects are more expensive than other comparable public- or private-sector projects. This contributes to ongoing uncertainty regarding state construction costs.

Examples from federal and state organizations demonstrate strategies that can help direct monitoring resources toward higher-risk projects.

Federal Transit Administration (FTA)

FTA applies project management oversight to major capital projects meeting specified cost and funding thresholds and defines oversight as "risk-informed monitoring." FTA also permits more frequent monitoring when projects are at risk of materially exceeding budget or schedule targets.



Texas Facilities Commission (TFC)

TFC requires enhanced monitoring for contracts exceeding \$1 million, demonstrating a threshold-based approach to focusing oversight resources on higher-value activities.

Utah Department of Transportation (UDOT)

UDOT uses risk assessment tools to identify and manage project risks throughout project delivery.



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DFCM Should Improve Its Oversight and Reporting of Construction



BACKGROUND

The Division of Facilities Construction and Management (DFCM) is responsible for overseeing state construction. During the 2026 General Session, the Legislature expanded the division's oversight responsibilities by increasing the threshold under which state entities can supervise their own projects with delegated authority and assigning oversight of public-school construction to DFCM. This shift makes it increasingly important that DFCM effectively monitor construction to ensure compliance and protect state resources.

FINDING 1.1

DFCM Needs to Improve Its Supervision and Control of Capital Projects

RECOMMENDATION 1.1

The Division of Facilities Construction and Management should establish a comprehensive monitoring program for all projects under its jurisdiction, including delegated projects. The program should identify, document, and report project risks and provide the information necessary to support enforcement decisions and ensure compliance with applicable laws and standards. Management should demonstrate a willingness to enforce compliance based on information generated by this monitoring program.

FINDING 1.2

Improved Oversight and Reporting of Space Planning Will Facilitate Better Capital Project Planning

RECOMMENDATION 1.2

The Division of Facilities Construction and Management should implement a formal review process to verify the reasonableness of agency growth assumptions and proposed project scope. This review will help ensure that capital projects appropriately reflect demonstrated needs and will help avoid unnecessary construction costs.

RECOMMENDATION 1.3

In the Five-Year Building Plan, the Division of Facilities Construction and Management should provide its professional assessment of the appropriateness of each project's size and scope. This information would give the Legislature an independent evaluation of project needs and support more informed capital funding decisions.



CONCLUSION

The Division of Facilities Construction and Management (DFCM) has not fully exercised its statutory oversight role. The division does not adequately monitor capital projects and, as a result, unauthorized projects, building code deficiencies, and other indicators of risk have gone unaddressed. DFCM's insufficient space-planning controls and validation processes limit its ability to independently verify agency space planning for capital projects. This failure deprives the Legislature of the full benefit of DFCM's professional opinion when making capital project funding decisions. Division leadership should establish effective monitoring systems, strengthen space-planning reviews, and provide clear, independent assessments of capital projects to better inform the Legislature and protect the state's interests in capital construction.





Chapter 1

DFCM Should Improve Its Oversight and Reporting of Construction

The Division of Facilities Construction and Management (DFCM or the division) plays an essential role in overseeing state construction activities. When the division fulfills its oversight responsibilities, it serves as an important safeguard against project risks and noncompliance. However, DFCM has not always provided effective oversight and monitoring of capital construction and facility planning, despite broad authority from the Legislature to do so. As a result of this inconsistent oversight, we found unauthorized construction activities and unresolved building code issues. The division lacks sufficient monitoring mechanisms and needs to strengthen its oversight and reporting of space utilization to support more effective capital project planning. DFCM has not provided the Legislature with adequate information for proposed buildings and has emphasized its customer service role without maintaining a comparable focus on its oversight responsibilities.

1.1 DFCM Needs to Improve Its Supervision and Control of Capital Projects

DFCM is statutorily responsible for supervising and controlling state capital facility construction. However, DFCM has not established a sufficient monitoring program to ensure that projects under its jurisdiction comply with statutory and regulatory requirements.

We found 17 construction projects—totaling at least \$17 million—conducted by state entities without required DFCM oversight. Some of these projects had building-code violations that could affect long-term building performance and occupant safety. DFCM also missed opportunities to identify and address other indicators of risk, including unusually high change-order rates and significant cost-estimated inaccuracies, which have the effect of increasing costs.



Despite broad statutory authority, DFCM has not consistently provided oversight, resulting in unauthorized construction and building code issues.

The Legislature recently expanded the number of projects that public entities can supervise themselves under delegated authority from DFCM, increasing the importance of DFCM's oversight role. Without stronger monitoring systems, DFCM cannot provide reasonable assurance that construction projects are conducted in compliance with requirements or in a manner that protects the state's interests.



DFCM Failed to Assert Its Authority, Resulting in Building Code Violations

DFCM failed to assert its authority over 17 of the 18 capital projects we reviewed. State entities conducted these projects without DFCM supervision and did not receive permission to supervise these projects themselves. We selected six of these projects for a review of building code compliance and found issues on all six that should have been prevented through proper oversight.¹

Example 1

Inspectors did not observe important electrical work on one of the buildings. This same structure failed to comply with critical fire-safety requirements intended to protect occupants and the building in the event of a fire.

Example 2

On two separate projects, the state agency modified seven recreational vehicles (RVs) into permanent structures. These buildings are rented to the public without inspections to verify their suitability for occupancy. The agency had not drawn up any required plans, and sampled site visits revealed noncompliance with building codes. Thirty-four additional uninspected units are in use statewide.

Example 2: Permanent Structural Modifications to Park Model RVs. The photo on the left shows site work connecting utilities to the RV. The photo on the right shows the completed permanent structure.



Source: State agency provided photos of facilities upon request.

¹ At the time that most of these projects were started, the statutory threshold above which DFCM requires supervision or delegation was \$100,000. Most of these projects now fall below the new established threshold of \$1.5 million. However, projects below this new threshold still require DFCM authorization for an agency to supervise them.



DFCM knew or should have known about many of these projects and should have ensured proper oversight according to statutory authority. Had DFCM enforced its authority, building code violations may not have occurred.

This noncompliance indicates serious gaps in DFCM's monitoring and enforcement. While some of these projects began and concluded without DFCM's knowledge, this is not the case for all these projects. DFCM identified and investigated noncompliant projects before and during this audit, demonstrating that DFCM has the ability to determine noncompliance. This ability is supported by statutory authority to intervene when noncompliance is evident, including authority to revoke delegations and assume control of projects.

We are concerned that DFCM leadership previously received reports of noncompliance but did not take enforcement actions. Management is responsible for achieving organizational objectives, and the key objective here is compliance. DFCM leadership is responsible for establishing a functional monitoring and enforcement program to reasonably assure compliance. More importantly, division leadership is responsible to act when noncompliance is evident.



We are concerned that DFCM leadership previously received reports of noncompliance but did not take enforcement actions.

Monitoring Systems for Capital Projects Need Improvement

DFCM oversaw 375 delegated capital improvement projects totaling about \$308 million from 2020 to 2025. Despite its oversight and compliance responsibilities, DFCM has not adequately prioritized oversight of delegated construction activities. For example, the division appears to focus most of its capital improvement project management resources on directly supervised projects. Currently, only 1 of its 16 capital improvement project managers is formally assigned to delegated project oversight.

Although DFCM collects significant amounts of project information, it does not systematically use that information to identify risks, which would enable the division to direct oversight resources where they are most needed. We identified several indicators that should be incorporated into a monitoring and enforcement system for all capital projects under the division's jurisdiction, both delegated and division-supervised:

- **Building Code Compliance**—As previously discussed, we observed noncompliance on all six unauthorized projects we reviewed for building code compliance. Some issues were minimal, while others introduced



possible risks to structural integrity and fire safety. DFCM is the state's building code compliance agency and incorporates this responsibility into its oversight of delegated projects. However, oversight activities must reliably determine whether noncompliance has occurred. As of August 19, 2026, DFCM has not acted to bring the projects we reviewed into compliance.

- **High Change Order Rates**—As shown in Figure 1.1, three projects we reviewed that proceeded without DFCM's approval exhibited change order rates (CORs) far above DFCM's average. Change orders often manifest as additional costs above the agreed contractual amount.² While CORs are not proof of poor performance, higher than average CORs could indicate avoidable costs. DFCM delegated \$313 million in construction projects from 2020 to 2025, but the division does not monitor CORs as a performance indicator even though change orders are a key cost driver for capital construction.

Figure 1.1 Change Order Rates (CORs) for Three Projects Were Higher Than Average. Two of the six projects that we reviewed did not have construction contracts, and one project was incomplete at the time of our review. For this reason, we report change order rates only for the three projects with available contract and expenditure data.

	Total Construction Costs	Total Cost of Change Orders	State Entity Project COR	DFCM Average COR ³
Project 1	\$579,213	\$161,241	39%	12%
Project 2	\$1,714,172	\$367,365	27%	18%
Project 3	\$6,746,863	\$727,455	12%	9%

Source: Auditor generated from construction contract and expenditure data provided by state agencies.

² A change order is a documented change to a project's original scope, cost, or schedule after contract approval, which may increase the cost.

³ DFCM's benchmark average COR comes from a group of cost-comparable projects that DFCM directly supervised.



- **Cost Estimate Accuracy**⁴—DFCM targets a variance of no more than +/- 5% between budget estimates and actual project costs. Yet DFCM-supervised project data contained verified variances as high as +174% and +56%, while division-provided data showed some inaccurate variances in the thousands of percent. These results raise concerns about both estimating performance and data reliability. DFCM should ensure accurate cost data and track this measure for all projects, including delegated projects, to support legislative oversight and identify significant estimate overruns.

Ensuring building code compliance (required in statute), monitoring change order rates (based on federal best practices), and cost estimate accuracy (metric required in COBI and DFCM's strategic plan) are among key metrics that DFCM should monitor to identify project risk. However, they do not constitute an exhaustive set of performance indicators. DFCM should review its statutory responsibilities and leverage its experience with capital project management to identify other risk areas to include in its monitoring program.

DFCM Should Establish Reasonable Thresholds to Determine Monitoring Levels

To ensure sufficient monitoring, DFCM should establish reasonable thresholds to improve the efficiency and effectiveness of monitoring construction activity. Not every project represents the same level of risk to state interests, and it would be unrealistic to apply the same level of monitoring to each project of any type and at any cost.

The GAO's *Standards for Internal Control* states that management should balance resource allocation with the degree of risk, complexity, and other factors relevant to achieving organizational objectives. Examples from federal and state organizations demonstrate how risk assessments and project thresholds can help direct monitoring resources toward higher-risk projects.



Building code compliance, monitoring change order rates, and cost estimate accuracy are among key project risk metrics. DFCM should review statute and leverage its experience to identify other risk areas in its monitoring framework.

⁴ COBI reports the accuracy of these estimates, and DFCM's strategic plan sets the target at +/-5% for all capital projects.



Federal Transit Administration (FTA)

FTA applies project management oversight to major capital projects meeting specified cost and funding thresholds and defines oversight as "risk-informed monitoring." FTA also permits more frequent monitoring when projects are at risk of materially exceeding budget or schedule targets.



Texas Facilities Commission (TFC)

TFC requires enhanced monitoring for contracts exceeding \$1 million, demonstrating a threshold-based approach to focusing oversight resources on higher-value activities.

Utah Department of Transportation (UDOT)

UDOT uses risk assessment tools to identify and manage project risks throughout project delivery.



The division's reported reluctance to push back on agencies and challenge them on issues under DFCM's jurisdiction has likely contributed to diminished oversight and compliance. Moving forward, DFCM must create a program to fulfill legislative expectations for oversight and compliance. This program should be tailored to Utah's construction portfolio, ensuring that both delegated and directly supervised projects receive monitoring proportional to their risk and significance.

Recent Statutory Changes Enhance the Need for Improved Monitoring and Enforcement. House Bill 508 and Senate Bill 164, which passed during the 2026 Legislative General Session, represented a significant change in DFCM's role. Rather than directly managing many projects, DFCM will increasingly be responsible for ensuring that delegated entities comply with standards, perform adequately, and protect the state's interests. As direct supervision decreases, the importance of effective monitoring and enforcement increases.



Recent legislative changes underscore the importance of effective monitoring and oversight to safeguard the state's interests for future delegated projects.

House Bill 508 expanded state entities' statutory threshold to supervise their own projects by 1,400%. Had the current threshold of \$1.5 million (increased from \$100,000) been in place from 2020 through 2025, approximately 1,088 improvement projects totaling about \$480 million could have been supervised by state entities under delegated authority. Additionally, SB164 expanded DFCM's responsibilities by requiring the division to provide oversight for Local Education Authority (LEA) construction projects in addition to state construction projects.



Between 2019 and 2025, the state added about \$3.5 billion in new construction.⁵ In that same time, an additional \$3.6 billion in school construction projects were completed.⁶ To succeed in this larger role, DFCM must first strengthen its monitoring and oversight of construction. The weaknesses identified in this audit limit DFCM's ability to monitor compliance, identify risks, and ensure accountability.

The division's reported reluctance to challenge agencies on matters within DFCM's jurisdiction suggests that it has not consistently prioritized its oversight responsibilities. To meet legislative expectations for oversight of capital construction, DFCM should establish a risk-based monitoring program for all construction activities under the division's jurisdiction. The program should be tailored to the division's responsibilities for state projects (delegated and directly supervised) and LEA construction according to statute and proportional to their risk and significance. Division leadership must act on the information generated by the program and ensure compliance.



To succeed in its recently expanded oversight role, DFCM must strengthen its monitoring and oversight of construction within its jurisdiction.

RECOMMENDATION 1.1

The Division of Facilities Construction and Management should establish a comprehensive monitoring program for all projects under its jurisdiction, including delegated projects. The program should identify, document, and report project risks and provide the information necessary to support enforcement decisions and ensure compliance with applicable laws and standards. Management should demonstrate a willingness to enforce compliance based on information generated by this monitoring program.

1.2 Improved Oversight and Reporting of Space Planning Will Facilitate Better Capital Project Planning

DFCM exists to provide independent oversight of state construction projects and help ensure facilities are necessary, appropriately sized, and cost-effective. However, DFCM leadership has perpetuated a culture in which project managers are reluctant to challenge agency requests or exercise independent

⁵ The 2019 to 2025 state construction value derives from insured value data for buildings in the state's Division of Risk Management (DRM) portfolio, which DFCM provided.

⁶ The 2019 to 2025 school construction value derives from insured value data for buildings in the state's DRM portfolio, which DRM provided.



oversight to ensure efficient use of space. DFCM has not provided the Legislature with adequate information for proposed buildings and has emphasized its customer service role without maintaining a comparable focus on its oversight responsibilities.

DFCM's Reluctance to Challenge Agency Assumptions Limits Effective Space Planning



DFCM has not created a process to sufficiently validate agency assumptions.

DFCM relies heavily on agency-provided growth projections and does not independently validate whether assumptions used to justify building requests are reasonable. The division is also reluctant to challenge agency requests during the programming and space-planning phases of projects, which will be

discussed later in this chapter.

DFCM delivers agency requests to the Legislature annually in the Five-Year Building Plan. In this document, the division states that their recommendations are based on “an analysis of the requested projects [and] validation of the project scope ...” We find this description to be misleading. The division does not maintain an independent process to validate project scope, which would help assure the efficient use of space as required by statute.⁷

Utah Code 63A-5b-303:

The division shall “assure the efficient use of all building space under the division’s supervision and control ... [and] conduct one or more studies to determine the actual needs of each agency.”

In a previous audit,⁸ we recommended that the now-defunct State Building Board more rigorously assess whether building requests were appropriately sized to agency needs, considering important factors such as projected growth. Although DFCM assumed the Board's oversight responsibilities in 2022, it has not created a process to sufficiently validate agency assumptions.

Without validating planning assumptions, DFCM cannot provide reasonable assurance that facilities are appropriately sized to meet demonstrated needs. Existing evidence suggests that excess capacity already exists within portions of the state's facility portfolio, including 19 buildings operating below 70%

⁷ **Utah Code** 63A-5b-303 Subsections (1)(a)(ii) & (1)(b).

⁸ *A Performance Audit of State and Higher Education Building Costs* (Report No. 2019-07). Office of the Legislative Auditor General.



utilization. If DFCM does not properly validate agency growth and space assumptions, unchecked agency planning may result in facilities that exceed demonstrated need, increasing the risk of unnecessary space and underutilization.

DFCM needs to establish a process to credibly validate an agency's growth assumptions and planned project scope. In these efforts, DFCM should also consider formal feedback mechanisms. For example, federal guidance identifies post occupancy evaluations (POEs) as a means of evaluating the effectiveness of an agency's capital planning process and ensuring continual improvement based on lessons learned.⁹



DFCM needs to establish a process to credibly validate an agency's growth assumptions and planned project scope.

RECOMMENDATION 1.2

The Division of Facilities Construction and Management should implement a formal review process to verify the reasonableness of agency growth assumptions and proposed project scope. This review will help ensure that capital projects appropriately reflect demonstrated needs and will help avoid unnecessary construction costs.

DFCM Should Provide the Legislature With an Analysis for Every Proposed Building

One of DFCM's primary tools for exercising oversight is the annual Five-Year



We could not identify any instances in which DFCM explicitly recommended against a project or formally communicated concerns regarding project scope despite internal reservations.

Building Plan, which communicates facility needs and recommendations to the Legislature. During this audit, DFCM leadership expressed concerns about the size and scope of several projects included in the plan and acknowledged that some requests appeared excessive. However, DFCM ultimately recommended most of these projects to the Legislature without presenting their concerns.

We could not identify any instances in which DFCM explicitly recommended against a project or formally communicated concerns regarding project scope

despite internal reservations. As a result, the Legislature is not receiving the full benefit of DFCM's professional expertise when evaluating capital development

⁹ *Capital Programming Guide* (Version 3.1, supplement to OMB Circular A-11, 2025), Office of Management and Budget.



requests. Several projects reviewed during the audit illustrate the impact of insufficient oversight during the programming and planning phases.

Joint Agency Aeronautics Facility

Designers eventually reduced the footprint of a planned airplane hangar by approximately 10,000 sq. ft. Although the Division of Aeronautics was aware of an alternative hangar layout, it did not pursue this more efficient option until after a Legislative appropriation had occurred and after this audit began. This example demonstrates that projects can achieve substantial scope reductions when they receive closer scrutiny. DFCM should reasonably ensure that this scrutiny occurs early on before money is appropriated and expectations are set.



Department of Cultural and Community Engagement (CCE) Facility

DFCM moved the department to its new location to consolidate space. Original plans had the department only occupying a little over half of the floor. The agency pushed to occupy the entire floor of the building, and DFCM did not validate the agency's assumptions. The key issue is not whether the final design is too large, but whether DFCM adequately validated CCE's growth projections and space needs before the expanded space was built out. DFCM should perform this level of review to ensure the efficient use of space.

Joint Agency Office of the Medical Examiner (OME) Facility

The Office of the Medical Examiner (OME) requested more than \$40 million for a joint OME/Utah Highway Patrol (UHP) facility in Washington County. The facility was reportedly similar in size to its existing Taylorsville facility, despite serving only about 10% of the organization's workload. Although DFCM personnel questioned the project's scale, DFCM recommendations to the Legislature did not include these concerns, and the project advanced through planning for legislative consideration. While the project did not receive funding, OME is expected to pursue funding again in the next legislative cycle.



DFCM should review and challenge agency scope decisions when appropriate and ensure alternatives are considered early in the planning process for supervised projects. Overall, the division should reasonably assure the efficient use of space and provide the Legislature with recommendations based on its independent validation of scope.



RECOMMENDATION 1.3

In the Five-Year Building Plan, the Division of Facilities Construction and Management should provide its professional assessment of the appropriateness of each project's size and scope. This information would give the Legislature an independent evaluation of project needs and support more informed capital funding decisions.

DFCM's Customer-Service Orientation Can Conflict With Its Oversight Responsibilities

One of the root causes of deficiencies identified in this chapter appears to be a cultural emphasis on customer service over independent oversight. Throughout the audit, DFCM personnel frequently described the division as a customer-service organization whose role is to help agencies obtain the facilities they want. Providing professional services to agencies is an important part of DFCM's mission. However, DFCM must balance that mission against the division's statutory responsibility to control costs, ensure efficient use of space, and protect the interests of the state.

A common theme discussed with individuals throughout DFCM (including management and staff) is that the division is reluctant to challenge agency requests during programming and space-planning phases of projects. Performance reviews appear to reinforce this reluctance by specifically asking if an agency would like to work with a given project manager again.

We also observed uncertainty among DFCM personnel regarding the division's responsibility to question agency requests when funding is available. As previously discussed, we found no evidence of DFCM reporting concerns of proposed projects to the Legislature. While agencies advocate for their own operational needs, DFCM exists in part to provide independent oversight and professional judgment on behalf of policymakers.

Providing good customer service and exercising independent oversight are not mutually exclusive. However, DFCM leadership must clearly communicate that protecting state resources, controlling facility scope, and ensuring efficient use of space are core expectations of the division.



A common theme discussed with individuals throughout DFCM (including leadership and project managers) is that the division is reluctant to challenge agency requests during programming and space-planning phases of projects.



RECOMMENDATION 1.4

The Division of Facilities Construction and Management leadership should align project manager performance evaluations with the division's dual responsibilities to serve agencies and provide independent oversight. Doing so would encourage project managers to deliver responsive customer service while helping to ensure that projects are cost-effective and in the state's best interests.

DFCM Can Improve Transparency and Accountability of Operations



BACKGROUND

The Division of Facilities Construction and Management (DFCM) is responsible for managing and supporting state construction and facility operations in a way that protects public resources and gives the Legislature reliable information for capital funding decisions. House Bill 508, passed in the 2026 General Legislative Session, increased DFCM's emphasis on accountability and cost-effectiveness in state construction. The Legislature relies on DFCM to report on the costs of construction and determine whether the division's design requirements are appropriate and cost-effective.

FINDING 2.1 DFCM Should Transparently Justify Its Costs to the Legislature

RECOMMENDATION 2.1 To comply with the Legislature's requirement that standards exceeding minimum code requirements be cost-effective, the Division of Facilities Construction and Management should evaluate its design requirements and document the costs and benefits of standards that increase costs. The Division of Facilities Construction and Management should revise or eliminate standards that cannot be justified through lifecycle cost-effectiveness or other compelling public benefits.

RECOMMENDATION 2.4 The Division of Facilities Construction and Management should establish benchmarks of capital project costs across state, local-government, and private-sector projects and report the results to the Legislature. These comparisons would help policymakers evaluate whether state construction costs are reasonable.

FINDING 2.2 DFCM Should Further Improve Internal Accounting and Contract Controls

RECOMMENDATION 2.5 The Division of Facilities Construction and Management accounting practices and fund management processes should accurately distinguish committed and uncommitted fund balances. Clear reporting would allow project managers and the Legislature to make more informed budgeting decisions.



CONCLUSION

The Division of Facilities Construction and Management (DFCM) has not given the Legislature the cost transparency it has asked for in statute nor the information it needs to evaluate the cost-effectiveness of state construction projects. The division has not done the following:

- Sufficiently justified the costs and benefits of its design requirements
- Submitted required post-project cost information
- Routinely benchmarked state construction costs

Several internal financial-control weaknesses have contributed to this transparency problem and degraded accountability. DFCM and the Department of Governmental Operations (DGO) have introduced changes to correct accounting and contract management issues identified in this report, but additional improvements are needed. Strengthening internal processes and external reporting would improve transparency, protect public resources, and give policymakers better information for capital funding decisions.





Chapter 2

DFCM Can Improve Transparency and Accountability of Operations

The Legislature relies on the Division of Facilities Construction and Management (DFCM, division) to provide clear, accurate, and transparent information about the costs of state construction projects. DFCM has not been providing this information. As a result, policymakers lack the information needed to evaluate whether project expenditures are justified or cost-effective. The Department of Government Operations (DGO) and DFCM leadership have recently addressed weaknesses in DFCM's accounting practices, internal controls, and financial oversight, but additional improvements are needed to ensure financial information supports effective decision-making and oversight of public resources.

2.1 DFCM Should Transparently Justify Its Costs to the Legislature

The Legislature expects DFCM to provide transparent and reliable information regarding the cost of state capital projects. However, DFCM has not done the following:

- Established consistent processes to quantify the cost of standards that exceed minimum requirements
- Submitted complete post-project cost information
- Benchmarked state construction costs against comparable projects

In each of these areas, the underlying problem is not simply a lack of information. The core problem is that the division has not historically given cost transparency the level of attention it needs. Going forward, division leadership should make transparency an organizational objective and build it into regular operations. Policymakers need reliable information to determine whether additional construction costs are justified, whether completed projects delivered value, and whether state construction costs are reasonable compared with similar projects.



The division has not historically given cost transparency the level of attention it needs. Going forward, division leadership should make transparency an organizational objective and build it into regular operations.



DFCM Should Quantify the Costs and Benefits of State Design Standards

DFCM does not sufficiently quantify or justify the costs and benefits associated with many of its design and construction standards. *Utah Code* 63A-5b-602 requires the creation of standards to address priorities such as energy efficiency and the usefulness of a facility over its lifecycle. To fulfill this requirement, the division created the DFCM Design Requirements (design standards). The division reports that the state's design standards can increase costs to some degree and claim that they prolong a building's useful life.¹⁰ However, DFCM reported that the cost implications of the design standards are largely unknown. The design standards contain a subset of requirements referred to as the High-Performance Building Standards (HPBS). For the purposes of this report, we refer to all the other design standards as the non-HPBS design standards.



The division reports that the state's design standards can increase costs; however, the cost implications are largely unknown.

One of the purposes of the HPBS is to reduce energy consumption, allowing DFCM to estimate future energy savings and compare them to the additional upfront investment over the building's lifecycle. By contrast, DFCM reported that it has not quantified the costs and benefits of many non-HPBS design standards because it is difficult to isolate the additional costs. Historically, HPBS were distinguished by project-specific analyses, modeling, and life-cycle cost evaluations, whereas the remainder of the design standards are primarily prescriptive technical standards with limited analytical requirements.

The Legislature passed House Bill (H.B.) 508 during the 2026 General Legislative Session, addressing this information gap. H.B. 508 provides DFCM with explicit direction to demonstrate the cost-effectiveness of the division's design standards that exceed the State Construction Code.

H. B. 508 Provision:

"If the director establishes design criteria or standards that exceed the minimum requirements of the State Construction Code . . . the director shall ensure that the additional criteria or standards are:

- (a) appropriate for the intended use and setting of the facility; and*
- (b) cost-effective over the expected useful life of the facility."*

¹⁰ These standards target a 40-year minimum lifecycle for state buildings, and optimally 100 years and beyond.



As part of the audit, we worked with DFCM to complete a limited cost-effectiveness analysis of three non-HPBS design standards,¹¹ demonstrating that such evaluations are possible. We found that some standards may not demonstrate clear cost-effectiveness.

For example, water piping design requirements increased the upfront costs by about \$10,000. DFCM justifies this additional cost because it reduces the risk of a piping failure, which could cost between \$15,000 and \$40,000 to repair. However, the division has not quantified the probability of this failure occurring, so these savings may never be realized. DFCM needs to conduct this type of analysis to demonstrate if individual non-HPBS design standards are justified for each project.

Current DFCM leadership must ensure that the division quantifies the cost-effectiveness of its design requirements according to statute for each facility. Without this information, DFCM cannot adequately justify additional project costs with measurable long-term benefits, and policymakers cannot fully understand the impact of the state's design requirements.



The division should quantify the cost-effectiveness of its design requirements according to statute for each facility.

RECOMMENDATION 2.1

To comply with the Legislature's requirement that standards exceeding minimum code requirements be cost-effective, the Division of Facilities Construction and Management should evaluate its design requirements and document the costs and benefits of standards that increase costs. The Division of Facilities Construction and Management should revise or eliminate standards that cannot be justified through lifecycle cost-effectiveness or other compelling public benefits.

DFCM Has Not Communicated Project Cost Information to the Legislature

Statute makes it clear that the Legislature wants capital project cost information. Since 1992, *Utah Code* has required the division to report capital project costs upon a project's completion.

¹¹ The analysis was conducted on a theoretical 10,000-square-foot building with a 50-year life.



Utah Code 63A-5b-406(5):

"The director . . . shall develop standard forms to present capital development project and capital improvement project cost summary data.

The director shall, within 30 days after the completion of each capital development project, submit cost summary data for the project on the standard form to the Office of the Legislative Fiscal Analyst."

When asked about the division's compliance with post-project reporting, DFCM leadership expressed unfamiliarity with the statutory requirement. Due to this unfamiliarity, DFCM has not developed required forms or submitted the required information to the Legislature.¹² This noncompliance represents a missed opportunity and reflects a broader pattern in which past division leadership did not give transparency the attention it needs. Moving forward, division leadership should prioritize reporting as an organizational objective to improve transparency according to legislative expectations.

Without complete cost information and required project reporting, the Legislature cannot determine whether additional expenditures are justified or delivering value to the state. Because statute requires that the design standards be justified for each facility, the division should utilize this post-project reporting mechanism to show the additional cost of standards for each relevant capital project. This form should also summarize key performance indicators discussed in Chapter 1 of this report, so that the Legislature can see how well the division or other entities are managing public projects.



Division leadership should prioritize reporting as a key organizational objective to improve transparency according to legislative expectations.

RECOMMENDATION 2.2

To comply with state law, the Division of Facilities Construction and Management should develop a post-project cost reporting form and submit it to the Legislative Fiscal Analyst upon completion of each capital project.

¹² After our audit team identified this noncompliance, the division began developing a form and coordinating with the Office of the Legislative Fiscal Analyst on a solution.



RECOMMENDATION 2.3

To improve transparency, the Division of Facilities Construction and Management should report the additional upfront costs associated with design requirements in the post-project cost reporting form when standards increase construction costs.

DFCM Has Not Adequately Demonstrated How Its Costs Compare to Other Projects

DFCM has missed out on key opportunities to provide transparency to policymakers. For example, division leadership has not established a consistent benchmarking process capable of answering a recurring question at the Legislature:

Are state projects more expensive, and if so, why?

As a result, the division cannot adequately demonstrate whether state construction projects cost more than comparable public- or private-sector projects or explain the reasons for any cost differences. This limits the Legislature's ability to evaluate the cost-effectiveness of state projects and contributes to ongoing uncertainty regarding state construction costs.

DFCM compared a DFCM office building and a typical developer office building. They reported that an additional \$1.6 million in upfront costs for DFCM's design requirements and construction standards would save \$25.1 million over 50 years.¹³ However, DFCM has not conducted enough comparative analyses or sufficiently demonstrated the cost-effectiveness of longer-lasting materials, as previously discussed, to show that definitively.



DFCM has not sufficiently benchmarked state construction costs to comparable public- or private-sector projects.



The division's lack of transparency has created perceptions that DFCM's costs are excessive or unjustified.

The division's lack of transparency has created perceptions that DFCM's costs are excessive or unjustified. However, division leadership has not adequately addressed these perceptions. The comparisons that we mention in this chapter show that DFCM can do analyses that get at the central question. Current division leadership should

¹³ The division reported this comparison to the Transportation and Infrastructure Appropriations Subcommittee in January 2025.



prioritize systematic cost comparison and report on these comparisons to the Legislature, so that policymakers are not left in doubt.

Benchmarking, if done well by DFCM, could help policymakers evaluate whether costs are reasonable and identify the factors driving cost differences. DFCM should establish a recurring benchmarking process and report the results to the Legislature.

OLAG Best Practice Handbook:

"A benchmark is a point of reference for establishing targets and assessing performance...Benchmarks provide important context and help organizations know what realistically can be achieved. Benchmarks are sometimes used to plot a course from where the organization is to where it wants to be."

Benchmarking is a tool that provides valuable context for setting goals and holding the division accountable for capital expenditures. For example, it has been said in legislative meetings that DFCM's costs are much higher than the private sector, as high as 30% more. However, the division has not sufficiently demonstrated whether this is true or not.

At our request, DFCM compared the construction and design costs of nine private-sector projects to 14 comparable DFCM projects.¹⁴ DFCM's average cost per square foot exceeded the private sector's cost per square foot in only two of the nine comparisons. However, this private-sector comparison is illustrative rather than conclusive. It is not meant to demonstrate that state projects cost more or less than comparable private-sector projects. Its value is to demonstrate that DFCM leadership can and should evaluate how the costs of their construction projects compare to other entities.



DFCM leadership can and should evaluate how the costs of their construction projects compare to other entities.

DFCM should routinely perform and report these analyses to improve transparency and provide policymakers with a more reliable basis for evaluating state construction costs.

¹⁴ DFCM compiled the comparable project data. Auditors converted all cost-per-square-foot calculations to 2026 dollars using DFCM's escalation methodology.



RECOMMENDATION 2.4

The Division of Facilities Construction and Management should establish benchmarks of capital project costs across state, local-government, and private-sector projects and report the results to the Legislature. These comparisons would help policymakers evaluate whether state construction costs are reasonable.

2.2 DFCM Should Continue Improving Internal Accounting and Contract Controls

Weaknesses in DFCM's accounting practices and financial oversight reduced transparency and weakened accountability for project expenditures. These weaknesses developed because prior division leadership did not establish the level of financial oversight, expertise, and monitoring necessary to ensure accurate reporting, strong internal controls, and accountability for public resources. Although DFCM leadership and the Department of Government Operations (DGO) have recently implemented corrective actions, additional improvements are needed to ensure financial information supports effective decision-making and stewardship of public resources.

DFCM Has Improved Accountability Within Fund 3000 but Should Ensure Transparency

Fund 3000 serves as DFCM's primary construction fund. Prior DFCM leadership did not provide sufficient financial oversight to ensure Fund 3000 balances were reported accurately. As a result, both DFCM and the Legislative Fiscal Analyst (LFA) lacked reliable information needed to accurately determine project balances and track appropriated funds.

DFCM finance personnel reported that past accounting practices obscured available balances by failing to distinguish between uncommitted funds and dollars already committed to capital projects. These poor internal accounting practices affected the division's ability to report transparently to LFA.

Given that approximately \$5 billion was appropriated to capital projects and then managed through Fund 3000 over the last five years, it is concerning that prior DFCM leadership did not establish the level of financial oversight and expertise necessary to ensure accurate reporting and accountability.



Fund 3000 accounting practices obscured which dollars were already committed, increasing the risk that the Legislature could reassign funds tied to active projects.



This finding demonstrates that prior DFCM leadership did not establish consistent oversight and systems that generated reliable information for policymakers and management, reflecting the leadership weaknesses identified throughout this report.

However, the DGO and current division leadership have made important improvements. Leadership has placed DFCM's accounting operations under direct departmental oversight. The new accounting team has implemented improved accounting practices and begun correcting historical records to improve transparency and operational effectiveness.

These changes represent meaningful progress. However, DFCM and DGO should continue strengthening project-level financial tracking and formalize policies and procedures that ensure the improvements become permanent practices of division operations.



DGO and current division leadership have made important improvements, moving DFCM accounting operations under direct departmental oversight and improving accounting practices.

RECOMMENDATION 2.5

The Division of Facilities Construction and Management accounting practices and fund management processes should accurately distinguish committed and uncommitted fund balances. Clear reporting would allow project managers and the Legislature to make more informed budgeting decisions.

Weak Monitoring Controls Allowed Contract Overpayments

After a former employee was placed on leave for falsifying procurement documents, a program manager took over the employee's duties and discovered additional problems. The former employee had made inappropriate contract modifications, resulting in overpayment for janitorial services for the Taylorsville State Office Building. The control process—such as it was—siloeed this employee and relied solely on the vigilance of reviewers, who failed to detect the errors. While DFCM terminated this employee, the division was unable to provide law enforcement with sufficient documentation to determine if the employee personally benefited. The division paid \$677,669 more than it should have. Although DFCM recovered some of the overpayments, it did not recover \$291,650 resulting from inappropriate contract amendments.



Weak contract monitoring allowed duplicate amendments and overpayments, including \$291,650 the division could not recover.



This situation demonstrates a failure by prior leadership to establish monitoring and oversight mechanisms sufficient to detect errors. The same leadership weakness identified here is reflected in the division's approach to capital project oversight, where known or knowable compliance risks were not consistently monitored, evaluated, or acted upon. Before our audit began, DFCM had already implemented a new process to streamline and clarify who is responsible for verifying and signing off on transactions. However, the division should also implement monitoring functions to provide reasonable assurance that similar issues are detected and addressed in a timely manner.

RECOMMENDATION 2.6

The Division of Facilities Construction and Management should implement periodic management reviews of procurement and contract administration activities to verify compliance with contract amendment, invoice approval, and procurement requirements. These reviews will strengthen oversight and help identify control failures and improper transactions before significant losses occur.

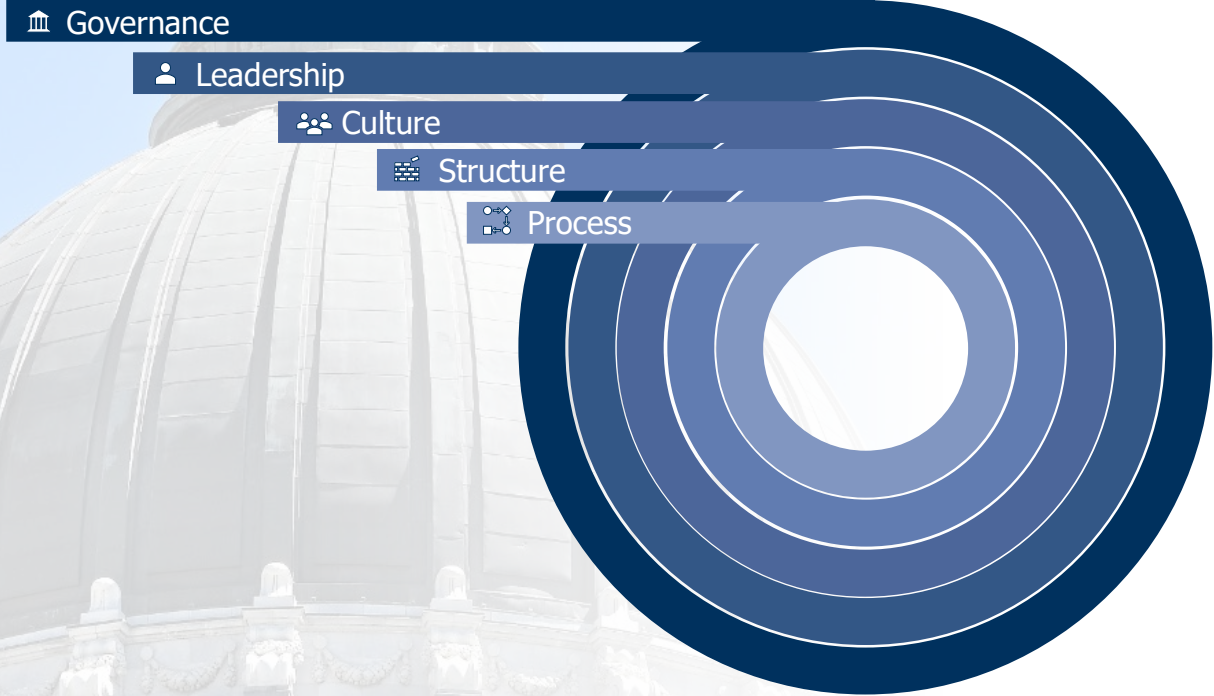




Complete List of Audit Recommendations

THE FIVE LAYERS OF CAUSE

We developed the Five Layers of Cause Framework to assist leaders in identifying the causes of organizational success and failure. To truly improve as an organization, leaders must understand the causes of major risks. Only when leaders understand these causes and their roots can they make meaningful improvements. Root causes are deeper and more fundamental.

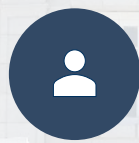


The five layers of cause are defined below. They are ranked from most impactful in organizational change to least. The next page identifies the layer of cause in each recommendation.



GOVERNANCE

The laws and rules that establish the organization's mission, accountability, and funding. Governance empowers the organization with the leadership and resources needed to achieve meaningful results.



LEADERSHIP

The competency and character of the leaders of the organization. Leadership is the decisive force that transforms vision into action and effort into results.



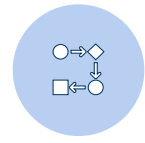
CULTURE

The collective beliefs, values, and behaviors of the organization. An organization's culture can determine employee engagement and morale, willingness to innovate, and quality of product.



STRUCTURE

The policies and standards that guide an organization's work. Structures direct the flow of work and establish what is and is not acceptable.



PROCESS

The steps taken to accomplish a task. Processes are the logistics—the capital, workflows, timing, and practices—that move work along.

Complete List of Audit Recommendations

This report made the following 10 recommendations. The numbering convention assigned to each recommendation consists of its chapter followed by a period and recommendation number within that chapter.

Recommendation 1.1 (Leadership)

The Division of Facilities Construction and Management should establish a comprehensive monitoring program for all projects under its jurisdiction, including delegated projects. The program should identify, document, and report project risks and provide the information necessary to support enforcement decisions and ensure compliance with applicable laws and standards. Management should demonstrate a willingness to enforce compliance based on information generated by this monitoring program.

Recommendation 1.2 (Process)

The Division of Facilities Construction and Management should implement a formal review process to verify the reasonableness of agency growth assumptions and proposed project scope. This review will help ensure that capital projects appropriately reflect demonstrated needs and will help avoid unnecessary construction costs.

Recommendation 1.3 (Leadership)

In the Five-Year Building Plan, the Division of Facilities Construction and Management should provide its professional assessment of the appropriateness of each project's size and scope. This information would give the Legislature an independent evaluation of project needs and support more informed capital funding decisions.

Recommendation 1.4 (Leadership)

The Division of Facilities Construction and Management leadership should align project manager performance evaluations with the division's dual responsibilities to serve agencies and provide independent oversight. Doing so would encourage project managers to deliver responsive customer service while helping to ensure that projects are cost-effective and in the state's best interests.

Recommendation 2.1 (Leadership)

To comply with the Legislature's requirement that standards exceeding minimum code requirements be cost-effective, the Division of Facilities Construction and Management should evaluate its design requirements and document the costs and benefits of standards that increase costs. The Division of Facilities Construction and Management should revise or eliminate standards that cannot be justified through lifecycle cost-effectiveness or other compelling public benefits.

Recommendation 2.2 (Process)

To comply with state law, the Division of Facilities Construction and Management should develop a post-project cost reporting form and submit it to the Legislative Fiscal Analyst upon completion of each capital project.

Recommendation 2.3 (Process)

To improve transparency, the Division of Facilities Construction and Management should report the additional upfront costs associated with design requirements in the post-project cost reporting form when standards increase construction costs.

Recommendation 2.4 (Leadership)

The Division of Facilities Construction and Management should establish benchmarks of capital project costs across state, local-government, and private-sector projects and report the results to the Legislature. These comparisons would help policymakers evaluate whether state construction costs are reasonable.

Recommendation 2.5 (Process)

The Division of Facilities Construction and Management accounting practices and fund management processes should accurately distinguish committed and uncommitted fund balances. Clear reporting would allow project managers and the Legislature to make more informed budgeting decisions.

Recommendation 2.6 (Structure)

The Division of Facilities Construction and Management should implement periodic management reviews of procurement and contract administration activities to verify compliance with contract amendment, invoice approval, and procurement requirements. These reviews will strengthen oversight and help identify control failures and improper transactions before significant losses occur.



Agency Response Plan





**Department of
Government Operations**

Division of Facilities
Construction & Management

MARVIN L. DODGE
Commissioner

ANDREW MARR
Director, Division of Facilities Construction & Management

September 4th, 2026

Kade R. Minchey, CIA, CFE, Auditor General
Office of the Legislative Auditor General
Utah State Capitol Complex
Michael O. Leavitt North Capitol Building
PO Box 145315
Salt Lake City, UT 84114-5315

Dear Mr. Minchey,

I sincerely thank you for the opportunity to respond to the recommendations in *A Performance Audit of the Division of Facilities Construction and Management (Report 2026-27)*. The Division of Facilities Construction and Management (DFCM) fully recognizes the value of the audit process and believes that the recommendations provide a meaningful roadmap for performance improvements. Upon implementation of the recommendations, DFCM will provide enhanced transparency, accountability and enforcement of our statutory mandates.

DFCM concurs with all recommendations in the report, and we look forward to applying our responses in practice, policy and rule. We are motivated to maintain swift action and be fully accountable for our performance to the Legislature and the public.

Our formal response to each recommendation is enclosed. DFCM appreciates the Auditor General's professional review, conduct and partnership during the audit process.

Sincerely,

Andrew Marr

Andrew Marr, Director

Division of Facilities Construction and Management

Department of Government Operations

Recommendation 1.1:

The Division of Facilities Construction and Management should establish a comprehensive monitoring program for all projects under its jurisdiction, including delegated projects. The program should identify, document, and report project risks and provide the information necessary to support enforcement decisions and ensure compliance with applicable laws and standards. Management should demonstrate a willingness to enforce compliance based on information generated by this monitoring program.

Department Response: DFCM concurs that opportunities exist to enhance monitoring of capital project risk. Strengthening oversight of delegated projects will drive improved agency compliance and empower DFCM to enforce compliance of all applicable laws and standards.

Who: Andrew Marr, Director, (801)-657-8620, amarr@utah.gov

What: DFCM will develop and enforce enhanced reporting requirements for delegated projects that provide key insights into overall project health and compliance. Routine reporting will allow DFCM to frequently assess risks to delegated projects and take enforcement action in a timely manner. For DFCM managed projects, the division will conduct routine risk assessments and document risk statistics for reporting.

How: DFCM will revise current delegated project requirements in rule to establish quarterly reporting of project data including change order rates, contingency balances and uses, schedule and code compliance. DFCM will track each delegated project by assigning a project number and documenting all reports, inspections and contracts in the DFCM internal project database. DFCM management will shift prior practices to focus more on compliance and enforcement of delegated projects. Internally managed projects will be analyzed in greater detail to identify risks and document those metrics for reporting. Furthermore, the Legislature has provided DFCM with robust oversight tools in statute regarding construction oversight of public schools. DFCM can work with the Legislature to expand those tools globally for all projects under DFCM's jurisdiction.

In regards to unauthorized projects, DFCM will work with the Division of Purchasing and the Utah System of Higher Education to create notification mechanisms for publicly advertised construction and capital improvement related requests for proposals. Awareness of projects at the solicitation level will allow DFCM to become aware of projects being attempted without DFCM approval.

Documentation: Reporting templates for delegated projects, administrative rule and internal metrics from project management database.

Timetable: Present to January 1st, 2027: Revision of rule language and collaboration with delegated entities, reporting template development and internal project metric development. Collaboration with the Division of Purchasing and the Utah System of Higher Education on public solicitation notification mechanism. January 1st to April 1st, 2027: Rulemaking process and adoption.

When: Full implementation by April 1, 2027.

Recommendation 1.2:

The Division of Facilities Construction and Management should implement a formal review process to verify the reasonableness of agency growth assumptions and proposed project scope.

This review will help ensure that capital projects appropriately reflect demonstrated needs and will help avoid unnecessary construction costs.

Department Response: DFCM agrees that a formal process for verifying agency growth assumptions is needed and can add substantial value to the Legislature in the appropriations process.

Who: Andrew Marr, Director (801)-657-8620, amarr@utah.gov

What: DFCM will leverage recent statutory changes (HB508, *State Facilities Modifications*, 2026 General Session) to require a space utilization study as a component of pre-construction programming and design. DFCM will assess the results of the space utilization study in conjunction with agency growth projections to help determine the validity of space expansion requests. A post-occupancy space utilization survey will be conducted to verify that all space is efficiently utilized.

How: Space utilization studies will be conducted in conjunction, or preferably prior to, the programming process. DFCM will work with the legislature to determine if a statutory solution is feasible to require a space utilization study. DFCM project managers and leadership will enforce the recommendations of space utilization studies during programming to ensure appropriate scope is identified prior to any requests for appropriation. Annual reporting to the legislature will occur to transmit the results of all post-occupancy space utilization surveys.

Documentation: Updated requirements in rule and statutory language. Assessment of space utilization needs will be provided in the Five-Year Building Plan for each capital development project.

Timetable: Full implementation of space utilization requirements will occur for all programming studies funded during the 2027 general legislative session.

When: Full implementation will be achieved October 1st, 2027.

Recommendation 1.3:

In the Five-Year Building Plan, the Division of Facilities Construction and Management should provide its professional assessment of the appropriateness of each project's size and scope. This information would give the Legislature an independent evaluation of project needs and support more informed capital funding decisions.

Department Response: DFCM agrees that professional assessment of proposed project size and scope is needed and can add substantial value to the Legislature in the appropriations process.

Who: Andrew Marr, Director (801)-657-8620 amarr@utah.gov

What: DFCM now has the necessary authority to require robust program studies for all capital development requests (HB508 2026GS). The programming process improves upon prior project planning phases by incorporating several areas of study into each project early in the design. Programming studies give DFCM the ability to consider multiple scenarios and provide the legislature with options for final construction budgets. The process also provides many opportunities for DFCM to certify that the planned project is efficient in size and scope and redirect priorities accordingly.

How: Project managers and DFCM leadership will use the programming process to be active participants in the pre-design and pre-construction phase to control scope of state agency projects. The broad spectrum of study in programming will allow DFCM to identify inefficient or excessive scopes in several areas of the design and require modifications to meet fiscally responsible expectations. Additional scope added by agencies will be captured and quantified for further consideration and validation of need.

Documentation: Final programming documents for state agency projects will be approved by DFCM and used as the basis of each capital development request in the Five Year Building Plan. Any betterments identified in the program that remain an agency priority will be identified and quantified in the program document for the legislature's consideration.

Timetable: Full implementation of space utilization requirements will occur for all programming studies funded during the 2027 general legislative session.

When: Full implementation will be achieved October 1st, 2027.

Recommendation 1.4:

The Division of Facilities Construction and Management leadership should align project manager performance evaluations with the division's dual responsibilities to serve agencies and provide independent oversight. Doing so would encourage project managers to deliver responsive customer service while helping to ensure that projects are cost-effective and are managed in the state's best interests.

Department Response: DFCM concurs that aligning expectations for customer service and oversight is needed to prioritize the cost-effectiveness of capital projects.

Who: Matthew Boyer, Deputy Director, mboyer@utah.gov, (801)-541-0945

What: DFCM project managers will have increased accountability for independent oversight while still providing customer service. DFCM leadership will prioritize a cultural shift with project managers to facilitate a transition reflecting the importance of oversight responsibilities.

How: DFCM leadership will adjust project manager's performance reviews to account for managing cost efficiencies, project scope control, and adherence to the legislative approved program document.

Documentation: Final design and budget will be evaluated against the project manager's adherence to the approved program documentation. Customer service inquiries to the primary agency stakeholders will be included in each project manager's evaluation. Oversight and customer service outcomes will be documented for each employee's assigned projects.

Timetable: Expectations will be communicated and the cultural shift is underway. Adjustments to the final project manager evaluations will be effective by May 1, 2027.

When: Full implementation will occur by May 1, 2027.

Recommendation 2.1:

To comply with the Legislature's requirement that standards exceeding minimum code requirements be cost-effective, the Division of Facilities Construction and Management should evaluate its design requirements and document the costs and benefits of standards that

increase costs. The Division of Facilities Construction and Management should revise or eliminate standards that cannot be justified through lifecycle cost-effectiveness or other compelling public benefits.

Department Response: DFCM concurs that transparency on costs associated with standards provides valuable insight into the effectiveness of each standard. DFCM agrees that all standards that are not lifecycle cost-effective should be eliminated.

Who: Matthew Boyer, Deputy Director, mboyer@utah.gov, (801)-541-0945

What: DFCM is currently evaluating design requirements to identify cost-effectiveness in conjunction with building performance to assess the justification of each standard.

How: DFCM is underway in the process of reviewing design requirements with a diverse group of experts, including the AIA, ACEC, and AGC. The intent of the process is to consolidate and identify any outdated or non-cost-effective requirements. Further evaluation will be conducted by neutral third party consultants to quantify the life cycle savings versus construction costs, building system performance or operational impact of building occupants of less expensive alternatives.

Documentation: The results of the study will be evaluated against the current design requirements to produce updated DFCM Design Requirements.

Timetable: DFCM will engage neutral consultants to begin the review process by November 1, 2026.

When: Study will be completed by April 30, 2027, with updated design requirements being issued by May 30, 2027.

Recommendation 2.2

To comply with state law, the Division of Facilities Construction and Management should develop a post-project cost reporting form and submit it to the Legislative Fiscal Analyst upon completion of each capital project.

Department Response: DFCM concurs that fine grained transparency on project costs is critical.

Who: Andrew Marr, Director, amarr@utah.gov, (801)-657-8620

What: Development of an approved form is underway and positive collaboration with the Legislative Fiscal Analyst's Office is ongoing. DFCM is committed to complying with all statutorily required reporting and believes that our proposed format will contribute to greater transparency of total costs of all capital projects.

How: Form development includes several line-item cost breakdowns of all components of capital projects from programming, design and detailed construction breakouts to provide the legislature with comprehensive reporting encompassing all expenditures of each capital project. Additional insights will be visible regarding design requirements using the standardized method described above in recommendation 2.2 and included in the report.

Documentation: The approved form will serve as the official documentation of compliance.

Timetable: December 1st, 2026.

When: Full implementation by December 1st, 2026.

Recommendation 2.3:

To improve transparency, the Division of Facilities Construction and Management should report the additional upfront costs associated with design requirements in the post-project cost reporting form when standards increase construction costs.

Department Response: DFCM concurs that transparency on costs associated with standards provides valuable insight into the effectiveness of each standard.

Who: Matthew Boyer, Deputy Director, mboyer@utah.gov, (801)-541-0945

What: DFCM will identify additional construction costs that are attributed to design requirements.

How: DFCM will develop normalized cost premiums that can be applied at an individual project level that may be reported to the legislature. Normalized cost premiums will be developed in collaboration with a qualified third party.

Documentation: A standardized project template will be developed for reporting upfront additional costs and included in the post-project completion form.

Timetable: DFCM will engage an independent consultant to begin the review process by December 1, 2026.

When: July 1st, 2027.

Recommendation 2.4:

The Division of Facilities Construction and Management should establish benchmarks of capital project costs across state, local-government, and private-sector projects and report the results to the Legislature. These comparisons would help policymakers evaluate whether state construction costs are reasonable.

Department Response: DFCM concurs that benchmarking construction costs data is a key opportunity to increase transparency and accountability.

Who: Matthew Boyer, Deputy Director, mboyer@utah.gov, (801)-541-0945

What: DFCM will utilize all available sources of information to capture capital project costs across numerous sectors to establish benchmark parameters. DFCM will utilize cost benchmarks to demonstrate construction cost efficiencies.

How: DFCM will publish identified benchmarks in the Five-Year Building Plan corresponding to each project type to demonstrate cost alignment.

Documentation: DFCM will provide all supporting benchmark data to the Office of the Legislative Fiscal Analyst for review and documentation.

Timetable: Private sector benchmark data is oftentimes difficult to obtain in full granularity, however all other available sources will be compiled for benchmarking during the FY2028 capital development process.

When: Full implementation will occur by January 1st, 2028.

Recommendation 2.5:

The Division of Facilities Construction and Management accounting practices and fund management processes should accurately distinguish committed and uncommitted fund balances. Clear reporting would allow project managers and the Legislature to make more informed budgeting decisions.

Department Response: DFCM concurs that all financial reporting must be accurate and precise.

Who: Eric Grant, Finance Director, ericgrant@utah.gov, 385-508-5639

What: DFCM will continue to overhaul accounting practices to achieve full transparency and accountability for all funds, transactions, documentation and reporting. DFCM will harness positive momentum as we continue to shift the culture of the finance team with new professional and competent leadership. Progress has been substantial in implementing changes resulting from a deep dive study conducted in the summer of 2025 including improvements to fund clarification, new line items, and reconciliation of the capital projects fund.

How: DFCM's current finance team has been actively working to identify and correct historically incorrect accounting data entry errors and balance project accounts. These reconciliations and corrections are happening on a project by project basis, verifying each transaction to ensure that past data entries are accurately reflected on the ledger. DFCM has shifted how the Division manages the statewide contingency fund, ensuring projects are managed to their individual budgets. Instead of transferring contingency funds from projects to a statewide fund, contingency funds now remain in individual project budgets. This approach prioritizes transparency of contingency use at the project level, allows accurate real-time reporting on statewide contingency and forces project managers to be accountable for their budgets. This philosophical shift also provides the legislature with greater visibility to the unallocated contingency funds should the Legislature determine those funds are needed elsewhere.

Documentation: Project closeout accounting reports will be submitted to the Office of the Legislative Fiscal Analysts within thirty days of the project closing out. DFCM will also report the statewide project reserve and contingency balances annually prior to the legislative session, or upon request at any time.

Timetable: The overhaul of the accounting team and processes began after the conclusion of the DFCM Deep Dive in the fall of 2025. The remaining task is the complete reconciliation of the capital projects fund 3000.

When: Full reconciliation of the capital project fund 3000 will be completed by July 1, 2027.

Recommendation 2.6:

The Division of Facilities Construction and Management should implement periodic management reviews of procurement and contract administration activities to verify

compliance with contract amendment, invoice approval, and procurement requirements. These reviews will strengthen oversight and help identify control failures and improper transactions before significant losses occur.

Department Response: DFCM concurs that periodic reviews of procurement and contract administration is critical to identify oversight improvements and opportunities to minimize risk.

Who: Jill Rafferty, DFCM Program Manager, (jrafferty@utah.gov), 801-205-5459

What: DFCM has modified internal controls for procurement approval, contract change order, amendment, invoice review and approvals. Modifications include multiple layers of review through management requirements to verify compliance with DFCM and Division of Finance policies. DFCM will work with the Government Operations Internal Audit Office to conduct an internal audit process covering division-wide procurement and invoice approval and processing activities to ensure processes are followed and staff is properly trained.

How: The procurement process for service contracts was changed to require management approval of the solicitation documents prior to posting on the Utah Public Procurement Place platform, as well as management approval of the award recommendation from the employee conducting the procurement.

Procurement staff management will implement a quarterly audit of solicitations and contracts for both capital projects and service contracts. Each audit will be formally documented with findings and the actions taken, then filed with management.

DFCM also addressed pitfalls identified in the service contract change order and amendment processes leading to obscurity of contract amounts and scopes of work. Previously distributed for signature through Adobe Sign and filed only in a database with limited visibility, the charge order and amendment process was modified to include management review and approval in the AiM contract management platform creating widespread transparency in all contract administration processes.

The service contract invoice approval process was also moved from a program management level of approval to a facility management approval where a more direct verification of the actual services provided and the amounts being invoiced now takes place.

Documentation: For procurement-related approvals, email communication validates implementation status. Quarterly procurement audit forms will validate its implementation. The implementation of service contract process changes is validated by electronic timestamping in the AiM platform. Individual invoice documents and the DFCM signature authority validate that the appropriate staff have verified the services were provided and the recommendation has been implemented.

Timetable: The first procurement quarterly audit will cover the period of July-September 2026. The implementation of all other recommendations took place between January 2024 and March 2026 following specific incidents with service contract administration and service contract invoice approvals were brought to management's attention.

When: Full implementation will occur by October 31, 2026.





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