QUESTION #1

"For both a) the space leased by the State to meet its needs and b) leases of State owned space/lands to non-State entities, please provide estimates of: (i) the number of individual lease agreements; and (ii) the number, percentage, and/or annual dollar value of those leases that might usefully be audited. For example, leases with firm, fixed costs, likely would not benefit from detailed auditing (since the contracted lease amount is simply either paid or not paid); and (iii) the number of State agencies responsible for these leases."

ANSWER TO QUESTION #1

To meet its needs, the State of Connecticut, on behalf of approximately 40 agencies, has approximately 200 leased locations throughout Connecticut. These leases cost the State a total of approximately $60 million annually.

The exact number of leases of State owned property to non-state entities is not known, nor is the annual dollar value of those leases. The income producing leases which "*might usefully be audited*" are likely under the Department of Transportation's Bureau of Aviation and Ports.

QUESTION #2

"Is there an overall target or desired timetable for completing the audits, or would that be coordinated with the various State agencies?"

ANSWER TO QUESTION #2

It is the desire of the State of Connecticut to have the audits completed within one (1) year of the execution of an agreement with the selected vendor.

QUESTION #3

"Have these leases been audited previously? If so, how long ago?"

ANSWER TO QUESTION #3

To our knowledge no formal auditing of the leases has occurred; however, some of the expenses leases have been reviewed for compliance with carpet and paint requirements for which the State has received rental credit, real estate tax payments, conformance with rent actually paid to rent required within the lease. Some of the State's income leases may have been subject to internal "sample audits".

QUESTION #4

"Please comment on the extent to which leases of each type are based on standard terms, or lease terms are specific to each Agency or to each lease?"

ANSWER TO QUESTION #4

The State of Connecticut utilizes a form lease of its own design. A copy of the current State Standard Lease agreement can be found on the internet at the address below.

It should be noted that approximately 30% of the State's existing leases are on hold-over and/or month-to-month status.

To view the current State Standard Lease: http://www.ct.gov/dpw/cwp/view.asp?a=2518&q=306936 and click the option for "Standard Lease Agreement"

QUESTION #5

"How many leases comprise the portfolio for which lease audits are contemplated?"

ANSWER TO QUESTION #5

The State has approximately 200 existing leased locations (in addition to the unknown number of existing income producing leases). It is anticipated that the vendor will prioritize the leases and make a recommendation as to the order in which leases are to be audited.

QUESTION #6

"Can you describe or approximate a breakdown in terms of percentage of the types of leases in the portfolio – e.g. gross, modified gross, triple net?"

ANSWER TO QUESTION #6

A majority of DAS leases are a combination or hybrid of gross/modified gross leases for office space, unique spaces (college, court houses, storage, etc). Triple net leases make up a small percentage of the portfolio.

QUESTION #7

"Are the leases in the portfolio State of Connecticut form leases or do you execute leases generated by the landlords of the specific properties in question?" [sic]

ANSWER TO QUESTION #7

The State of Connecticut utilizes a form lease of its own design. A copy of the current State Standard Lease agreement can be found on the internet at the address below.

It should be noted that approximately 30% of the State's existing leases are on hold-over and/or month-to-month status.

To view the current State Standard Lease: http://www.ct.gov/dpw/cwp/view.asp?a=2518&q=306936 and click the option for "Standard Lease Agreement"

QUESTION 8

"If the portfolio is comprised of form leases, do the leases specifically provide for audit rights or is the lease silent as to the right to perform a lease audit of the landlord's records? "

ANSWER TO QUESTION #8

Section 16.02 (AUDIT) of the current State Standard Lease states:

> The State of Connecticut or its authorized agent reserves the right to audit the financial Records (as defined in Article 20 of this lease) of the LESSOR with respect to any documents, invoices, books, records or papers, in any existing form, associated with provisions of this lease at this location prior to the payment of any additional rent to amortize the LESSEE'S share of the cost of repairs, replacements and work completed by the LESSOR on behalf of the LESSEE, if any. The LESSEE also may audit any other documents, invoices, books, records or papers, in any existing form, related directly or indirectly to LESSEE'S payment of other additional rents for up to three (3) years after the final payment. The LESSEE further reserves the right to seek reimbursement from the LESSOR, or take any other remedies available to it under this lease, at law or in equity, if the LESSEE'S audit reveals that the LESSOR has overcharged the LESSEE for the actual cost of the service, work or utility to which the additional rents relate. This paragraph in no way limits or restricts LESSEE's rights or LESSOR's obligations set forth in Article 20 below.

Article 20 (INSPECTION & AUDIT) of the State Standard Lease states:

> For purposes of this provision, the term "Contract" shall mean this Lease, "Contractor" shall mean LESSOR, "State" shall mean LESSEE and "plant or place of business" shall mean the Demised Premises. References to a "subcontractor" or "subcontract" may be inapplicable.
>
> The State of Connecticut may, at reasonable times, inspect the part of the plant or place of business of a Contractor or any subcontractor which is related to the performance of any Contract awarded, or to be awarded by the State, to ensure compliance with the Contract. All services performed by and material supplied by the Contractor under this Contract shall be subject to the inspection and approval of the State at all times, and Contractor shall furnish all information concerning such material and services as may be requested by the State.
>
> The Contractor shall maintain, and shall require each of its subcontractors to maintain, accurate and complete records, books of account and other documents that delineate the nature and extent of the State's, Contractor's, and, in the case of each subcontract, the applicable subcontractor's, performance. The Contractor shall maintain all such documentation and any and all other of its records (whether stored in electronic or other form) that in any way pertain or relate to this Contract and/or the actual or alleged performance and/or lack of performance by any party hereunder (individually and collectively, "Records") at the Contractor's address provided in Section 10 of this Contract or such other location as is approved in writing in advance by the State.
>
> The Contractor agrees to make all of its Records available for inspection and/or examination by the State's authorized representatives during reasonable hours. The State and its representatives also shall have the right, at reasonable hours, to inspect and examine all of the part(s) of the Contractor's and its subcontractors' plant(s) and/or place(s) of the businesses which, in any way, are related to, or involved in, the performance of this Contract and/or any subcontract to ensure compliance with the same. Except in the case of suspected fraud or other abuse or in the event of an emergency, the State will give the Contractor at least twenty-four (24) hours notice of any intended inspections or examinations.
>
> At the State's request, the Contractor shall provide the State with hard copies of or electronic media containing any data or information in the possession or control of the Contractor which pertains to the State's business or this Contract.
>
> The Contractor agrees that it will keep and preserve or cause to be kept and preserved all of its Records until three (3) years after the latter of (i) final payment under this Contract, or (ii) the expiration or earlier termination of this Contract, as the same may be extended or renewed, and any holdover period.
>
> The Contractor also agrees that it will require each subcontractor under this Contract to maintain all of its Records until three (3) years after the expiration or earlier termination of said subcontract or other agreement, as the same may be renewed or extended.
>
> If any litigation, claim or audit is started before the expiration of said three (3) year periods, such records shall be (and shall be required to be) retained until all litigation, claims or audit findings have been resolved.

(h) The Contractor shall incorporate the provisions of this Section, including this subsection (h), verbatim into any contract or other agreement it enters into with any subcontractor under this Contract.

QUESTION # 9

"Is the engagement on a pure 100% contingency basis or would the State consider a hybrid compensation structure comprised of a small base fee per lease analyzed plus a smaller contingency fee on recovery?"

ANSWER TO QUESTION #9

The State will consider only those proposals which result in a pure 100% contingency basis and will not consider a hybrid compensation structure.

QUESTION #10

"Is the contingent fee paid on dollars actually recovered or on dollars identified? Our experience has been that often times the political process stifles actual recovery of dollars from landlords once potential overcharges are identified, thereby resulting in no contingency fee paid."

ANSWER TO QUESTION #10

The contingent fee will be paid only on dollars actually recovered, if any. If a discrepancy is identified but the State, at its sole discretion, opts not to pursue, no contingency fee will be owed or paid.

QUESTION #11

"*In the RFP, there is no discussion of travel or other expenses and how or if they would be reimbursed. Will the State reimburse any additional costs? If yes, how are they defined?"*

ANSWER TO QUESTION #11

The State will not reimburse for travel and/or other expenses.

QUESTION #12

"How many lease agreements will be audited?"

ANSWER FOR QUESTION #12

The State has approximately 200 existing leased locations (in addition to the unknown number of existing income producing leases). It is anticipated that the vendor will prioritize the leases and make a recommendation as to the order in which leases are to be audited.

QUESTION #13

"Where are the state records related to the lease agreements located? Where are the landlord/tenant records located?"

ANSWER TO QUESTION #13

The State records related to the expense leases are located at a combination of the Department of Administrative Services and the approximately 40 State agencies tenants for whom space is leased at 165 Capitol Avenue, Hartford, CT. State records related to the income leases are primarily located at the Department of Transportation at 2800 Berlin Turnpike, Newington, CT.

The landlord's records would be maintained by the individual landlord.

QUESTION #14

"Can you provide an overview of the inventory and makeup of the leases i.e. number, size, location, age, current operating expenses? For all leases, what are the audit rights and terms? (Do any require a CPA firm? Do any prohibit a contingent fee structure?)"

ANSWER TO QUESTION #14

The best source for the inventory of current expense leases is the *State Facility Plan* which can be found on the internet at:

http://www.ct.gov/opm/lib/opm/assets/facilityplans/state_facility_plan_-_2011-2016.pdf

The audit rights, terms and requirements for the expenses leases is addressed under *Question #8* of this document. Nothing within these rights, terms or requirements would prevent a contingent fee structure.

QUESTION #15

"Are there parameters around what constitutes a finding? (If the auditor uncovers a discrepancy that the state chooses not to pursue, is the auditor still paid despite no money being recovered?)"

ANSWER TO QUESTION #15

The contingent fee will be paid only on dollars actually recovered, if any. If a discrepancy is identified but the State, at its sole discretion, opts not to pursue, no fee will owed or paid.

QUESTION #16

"What other invoices are covered other than standard operating expenses? For example, utilities, sundries, etc."

ANSWER TO QUESTIONS #16

The leases are not all standard in terms of what income/expenses are covered. The successful vendor may audit any of the State's expenses/income for compliance with the terms of those leases which are outlined in the individual lease documents.

QUESTION #17

"Do the leases allow for the contractor to go back 3-10 years? Most leases call for a much shorter audit window and the standard statute of limitations is 6 years?"

ANSWER TO QUESTION #17

Please see Question #8 which outlines the State's audit rights under its expense leases.

END OF QUESTIONS AND ANSWERS