

Audit of Surplus Real Property Management First Follow-up Report

I. Background and Summary

Property that government owns but has no use for is considered surplus property. Washington County receives no benefit from owning surplus real properties, but incurs costs to manage and maintain them, is unable to levy taxes on those parcels, and assumes the risks and liabilities of a property owner. It is generally in the public interest to dispose of such properties as quickly as possible and return them to the tax rolls.

In Washington County the management of county-owned property, including surplus property, is a responsibility of the Real Property Management unit of the Facilities and Parks Services Division (Facilities) of the Support Services Department.

In April 2019, the Washington County Auditor released his report, "Audit of Surplus Property Management." The Auditor made thirteen recommendations for action to comply with applicable laws, and to improve the efficiency and effectiveness of the County's surplus property management.

Management agreed with the recommendations and planned to implement all but one by March 1, 2020 and the last by December 31, 2020. We conducted this follow-up review to assess whether management had fully implemented the audit recommendations. We found that management fully implemented two recommendations and eleven remain in process.

II. Overview of the Original Audit

Audit Objectives

The Auditor's Office initiated the Audit of Surplus Property Management to address the following objectives:

- a. Did Real Property Management comply with legal requirements for the disposition of county surplus property?
- b. Did Real Property Management accomplish its objectives for surplus property management efficiently and effectively?

Audit Findings

The audit determined that:

- a. Real Property Management complied with most, but not all, legal requirements.
- b. There are opportunities for Real Property Management to improve the efficiency and effectiveness of surplus property management.

Audit Recommendations

We made thirteen recommendations - three to satisfy legal requirements and ten to improve the efficiency and effectiveness of surplus property management.

III. Status of Audit Recommendations

We conducted this follow-up review to assess the whether the County had implemented the audit recommendations. We found that the County had fully implemented two recommendations. Eleven recommendations remain in process.

1. Facilities should review auction notices, as published, to ensure that they contain a complete list of properties scheduled for auction and all information required by state law.

Current status – In Process. Revised implementation date: October 2021.

The County has not held a surplus property auction since 2018. It plans to hold one in October 2021. We will follow-up to confirm that Facilities reviewed the published notice for all required information before that auction.

2. Facilities should develop a process to ensure all recording requirements are satisfied.

Current status – In Process. Revised implementation date: December 2021.

The County has not held a surplus property auction since 2018. It plans to hold one in October 2021. Facilities reports that the auction recording requirement will be included in a procedure to be adopted by December 2021.

3. The County should dispose of surplus property as quickly as possible to maximize revenues. Real Property Management should determine the appropriate disposition of surplus properties in inventory, dispose of eligible properties by private sale, and hold a property auction at least once a year whenever there are surplus properties whose values require that they be sold at auction.

Current status – In Process. Revised implementation date: December 2022.

The County has not held a surplus property auction since 2018. It plans to hold one in October 2021. Facilities has not determined the appropriate disposition of all surplus properties in inventory.

4. Facilities should charge to the surplus property management program an appropriate share of the personnel costs of the real property management unit.

Current status – In Process. Revised implementation date: July 2021.

Facilities management reports it has begun tracking personnel time devoted to surplus property management and will begin charging those costs to a surplus property account in FY 2021-22.

5. Real Property Management should develop performance metrics for customer service and report to Facilities management and the Board on customer service performance.

Final status – Fully Implemented.

Real Property Management developed a performance metric for customer service. They reported to the Board in February 2020 the percentage of calls and emails returned within 24 hours.

6. Facilities should propose a new policy for the management and disposition of surplus property for adoption by the Board.
Current status – In Process. Revised implementation date: December 2021. Facilities management expects to submit a Real Property Management Administrative Policy for Board approval in December 2021.
7. Facilities should explore the potential for an interface between its real property management application and other county information systems.
Current status – In Process. Revised implementation date: July 2022.
8. Facilities should establish a system to identify and account for program administration and maintenance costs by property and seek reimbursement of those costs when selling each individual property.
Current status – In Process. Revised implementation date: July 2021. Facilities management reports it will begin charging accounting for costs by property account in FY 2021-22 and will seek reimbursement of those costs upon sale of the property.
9. Facilities should report annually to the Board on the number and proposed disposition of surplus properties remaining in inventory, the number of properties removed from inventory in the past year by auction, private sale, and donation, and the revenue received from dispositions.
Final status – Fully Implemented.
Facilities reported these items to the Board in February 2020. Facilities management intends to provide report to the Board again after the next surplus property auction.
10. Facilities management should reestablish the priority of real property management's responsibility for surplus property and provide sufficient resources for that unit to accomplish any functions added to that primary responsibility.
Current status – In Process.
Facilities management reports that it has added staff to Real Property Management and reassigned to other units several responsibilities not related to surplus property management. We will conduct additional follow-up to assess whether such measures are sufficient to reduce the inventory of surplus property.
11. Real Property Management should develop standard operating procedures, to ensure it efficiently and effectively performs its surplus property functions and satisfies the requirements of state law and county policy.
Current status – In Process. Revised implementation date: December 2021. Facilities intends to implement this recommendation with new real property management procedures in December 2021.
12. Real Property Management should develop and report performance measures for surplus property management to inform Facilities management and the Board regarding its progress in achieving the objectives of the surplus property program.
Current status – In Process. Revised implementation date: December 2021. Facilities Management plans to implement this recommendation with its next report to the Board.

13. Facilities should provide the commissioners and the public with complete information regarding both state law and county policy relating to the transfer of county surplus property to other governments and/or nonprofit entities.

Current status – In Process. Revised implementation date: December 2021. Facilities has not provided the commissioners and the public with information that County policy authorizes the Board to "allow local government to purchase property for the amount of costs incurred by the county for the specific parcel of land." It intends to implement this recommendation by proposing that the Board change county policy to allow the transfer of property without payment of such costs.

IV. About this Review

In December 2020, we initiated a follow-up review to determine whether management had implemented the recommendations from our April 2019 Audit of Surplus Property Management. We asked the Real Property Manager to describe any actions taken to implement those recommendations and to provide documentation that would support the actions taken. We reviewed the response, reviewed the documentation submitted, and collected additional information to determine whether each recommendation was implemented.

We concluded that a recommendation was:

- **Fully Implemented** if we found that management had completed the recommended actions,
- **In Process** if the County planned to take further action to implement a recommendation.



signed:

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Washington County Auditor