



KING COUNTY AUDITOR'S OFFICE

April 24, 2018

Follow Up on Real Estate Services Audit

TO:

Metropolitan
King County
Councilmembers

FROM:

Kymber Waltmunson,
County Auditor

The Real Estate Services section of the Facilities Management Division has taken proactive steps implementing our recommendations to help prevent fraud. We made eight recommendations in our 2016 audit, "Real Estate Services Should Act to Save Money, Improve Results, and Prevent Fraud." The first three recommendations addressed identifying fraud risks, educating employees regarding those risks, and documenting policies and procedures relative to them. In response, Real Estate Services (RES) performed a risk assessment using the Certified Fraud Examiners Fraud Risk Assessment Tool and conducted required training for all employees, facilitated by the King County Board of Ethics. In addition, RES continues to use a review-and-approval system for real estate transactions. These activities will be included in its pending standard operating procedures manual. Together, these actions help reduce the risk of fraud, completing two recommendations and making progress on one.

Real Estate Services advanced performance measurement and reporting efforts recommended in the audit. RES developed a detailed visual management system that both tracks individual project progress and collects data, and reports it using this information to better quantify staff work across projects and identify project barriers. RES is implementing improvements in customer engagement, creating a customer care group and developing a customer analysis process improvement outreach effort. Launch of a new, integrated database of King County real estate assets and a RES annual report is occurring in the spring of 2018. Related to these efforts, RES transmitted proposed county code changes to increase efficiency. Greater urgency in completing the progress made in these areas will improve the quality of real estate information and customer satisfaction with RES's work.



King County

Of the eight audit recommendations:



2
DONE

Fully implemented

Auditor will no longer monitor.



6
PROGRESS

Partially implemented

Auditor will continue to monitor.



0
OPEN

Remain unresolved

Auditor will continue to monitor.

Please see below for details on the implementation status of these recommendations.

Recommendation 1

DONE 

The Facilities Management Division should conduct a comprehensive risk assessment using relevant modules of the Association of Certified Fraud Examiners Fraud Risk Assessment Tool to document risks and mitigation strategies for illegal or inappropriate behavior.

STATUS UPDATE: RES worked with the King County Office of Risk Management Services (ORMS) to conduct a risk/fraud assessment, using the chapters from the Certified Fraud Examiners Fraud Risk Assessment Tool identified by ORMS. RES shared the results with ORMS and the King County Board of Ethics. Completion of this recommendation informed staff training on ethics and fraud, and the results were used in policies and procedures development, to be included in the standard operating procedures manual (see Recommendation 3, below).

Recommendation 2

DONE 

The Facilities Management Division (FMD) should take immediate action to educate and inform the FMD and Real Estate Services section management and staff of resources, roles, and responsibilities related to illegal or inappropriate activities.

STATUS UPDATE: FMD and Real Estate Services (RES), in conjunction with the King County Board of Ethics, conducted mandatory trainings in August 2016 on ethics requirements, including responsibilities regarding fraud reporting and RES transactions. RES documented staff attendance at the training. Completion of this recommendation informed staff of fraud risks and responsibilities, and may help prevent future opportunities for fraud; ongoing education will be conducted as a component of Recommendation 3, below.

Recommendation 3

PROGRESS 

The Real Estate Services section should include steps to address risks of illegal and inappropriate activities in its policies and procedures. These steps should be included at key points where such actions may occur during real estate activities, and clearly describe 1) what needs to be done, and 2) who is responsible for doing it.

STATUS UPDATE: RES has a signature routing system that requires supervisor approval for real estate transactions. Although past its self-imposed 2017 deadline, RES continues developing a "RES manual" of standard operating procedures as part of its line of business work. RES management reported that it has discussed the risk/fraud assessment and potential risks as part of its development of policies and procedures, and that they will be included in the RES manual when actually completed in 2018. To complete this recommendation, the RES manual should connect the policies and procedures, as documented, with the potential risks.

Recommendation 4

PROGRESS 

Based on King County and Facilities Management Division strategic goals and the Real Estate Services (RES) mission statement, the RES section should establish objectives, strategies, measures, and targets for each of its service areas. The performance measurement system should address concerns about the timeliness of the RES section's services.

STATUS UPDATE: RES has developed and implemented a visual management system for its projects that includes data on the length of time each project takes to complete each milestone deliverable, along with the total length of time for the project. RES also tracks work performed in response to the audit recommendations. From this work, RES is quantifying staff hours by project, and can identify the causes of project delays, as well as time lost to undelivered projects. To complete this recommendation, RES should use the information gained to inform its project targets, and to inform RES management and county stakeholders about systemic causes of delay.

Recommendation 5

PROGRESS 

As Real Estate Services develops policies and procedures, it should also identify areas where changes to King County Code may create efficiencies and improve service delivery outcomes, and share those suggestions as part of its annual report (see Recommendation 8).

STATUS UPDATE: RES transmitted proposed changes to county code for lower value tax title sales in 2017. The County Council approved the ordinance (Ordinance 18603) in November 2017. The ordinance should help accelerate the tax title sales process, thereby increasing RES's efficiency and improving its quality of service. To complete this recommendation, RES should identify additional areas where code changes could improve RES performance within its next two annual reports (see Recommendation 8, below).

Recommendation 6

PROGRESS 

Real Estate Services should work with the King County Council and departmental customers to identify specific informational needs related to real estate management, and develop, document, and implement a plan to meet those needs.

STATUS UPDATE: RES created a Customer Care Services telephone number and email to facilitate connecting RES's internal and external customers with the appropriate staff. RES is also planning to conduct a customer analysis process improvement effort with client county departments in 2018. The effort will survey clients to identify aspects of the RES services process for improvement. To complete this recommendation, RES should complete the customer analysis effort and ensure that it includes consideration of customer needs regarding county real estate information.

Recommendation 7

PROGRESS 

Based on outreach with King County Council and departmental customers, Real Estate Services should develop a more complete and reliable inventory of the county's real estate portfolio.

STATUS UPDATE: RES reported it developed a new, more comprehensive database of the county's real estate portfolio. The database is largely complete and RES will share it with stakeholders in individual projects and customer engagements through 2018. To complete this recommendation, RES should formally launch the new inventory and demonstrate its use for county stakeholders.

Recommendation 8

PROGRESS 

Real Estate Services should provide an annual report to the County Council summarizing how many properties the county owns, their size, and location, along with other comprehensive information that informs strategic decision-making.

STATUS UPDATE: Building on its annual leasing unit report, RES is planning to release its annual report in spring 2018. RES states that the annual report will include project-related information currently tracked internally within FMD, along with summary information on the county's real estate portfolio (informed by the new inventory database in Recommendation 7, above). Future reports may also feature suggestions for code changes (per Recommendation 5) and information identified as part of the customer analysis (per Recommendation 6).

To complete this recommendation, RES should issue the annual report, including the features noted above, and develop a process for preparing and revising the report over each calendar year. Doing so will better inform stakeholders precisely what properties the county owns and the purposes they serve.

Justin Anderson, Principal Management Auditor, conducted this review. Please contact Justin at 206-477-1046 if you have any questions about the issues discussed in this letter.

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