## Follow-Up on Real Estate Services Audit

**Facilities Management Division's Real Estate Services Section continues to implement recommendations from our July 2016 audit, but at a significantly slower pace than it initially committed to.** Our audit, "Real Estate Services Should Act to Save Money, Improve Results, and Prevent Fraud," included eight recommendations to prevent potential fraud, advance customer service and performance, and improve the quality of information about the County's real estate portfolio. At the time of the audit, the Facilities Management Division projected that all the audit recommendations would be implemented by December 2017. Although Real Estate Services (RES) has made progress in implementing key parts of each audit recommendation—especially regarding fraud prevention—it has not completed four of them. Of particular concern, the status of Recommendation 8 has regressed from progress to open.

One of the audit's central themes was improving the usefulness of real estate information for King County stakeholders. Developing an annual report, as defined in Recommendation 8, significantly helps RES in communicating portfolio information to decision-makers. Renewed effort on this recommendation would give RES a means to share summary data and provide updates on real estate projects and strategies. Overall, greater focus on reviewing the incomplete recommendations and carrying out their remaining elements will strengthen RES's overall quality of service for its county partners. Without them, RES may not realize the benefits hoped for from its line of business planning effort and its development of the Comprehensive Facilities Asset Management System, and may limit future improvements in project efficiency and staff morale.

Of the eight audit recommendations:

| ✓ 4 DONE | ⋯ 3 PROGRESS | ❗ 1 OPEN |
|---|---|---|
| **Fully implemented** Auditor will no longer monitor. | **Partially implemented** Auditor will continue to monitor. | **Remain unresolved** Auditor will continue to monitor. |

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

| Recommendation 1 | As of April 24, 2018 | DONE ✓ |
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| Recommendation 2 | As of April 24, 2018 | DONE ✓ |
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## Recommendation 3 — DONE ✓

**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: At the time of the audit in July 2016, RES was developing a "RES manual" of standard operating procedures as part of its line of business work with the King County Office of Performance, Strategy, and Budget. During the last audit follow-up in April 2018, RES reported that it was continuing to develop the manual, with anticipated completion in late 2018. RES management now reports that it does not plan to complete a universal "RES manual," instead favoring a comprehensive series of standard operating procedures (SOPs) for different RES activities and transactions that can be updated as needed. Those SOPs are stored on a RES SharePoint site for employee reference, and specific policies include the steps to address potential fraud addressed in Recommendations 1 and 2 in April 2018, as well as additional steps addressing transactional risks identified by RES management.

IMPACT: Strong policies and procedures are a fundamental tool to manage work. They also can help address potential risks, such as fraudulent activity in real estate transactions. By establishing SOPs, RES both identifies controls that help prevent potential fraud and documents expectations for staff in carrying out those controls. Implementing this recommendation helps RES decrease the opportunity for fraud to occur.

## 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 not yet fully completed measures and targets for the work it does in each of its service areas. It developed and implemented a visual management system for projects that includes data on specific milestones and on overall project completion, and continues to track these timeliness elements even with changes in project management processes. RES also has specific standards regarding the timeliness of project legislative transmittals. In simple terms, RES tracks the amount of time projects needing County Council approval spend at the Prosecuting Attorney's Office, Department of Executive Services, County Executive, and Council, along with internal FMD review, and reports that time relative to expected review periods and project

averages. However, the data reports are limited to real estate projects prepared for legislation; RES does not have similar data reports or related performance measures regarding internal project development processes. RES management reported that staff track project time, but this time is not used to establish internal benchmarks or milestones for project progress.

WHAT REMAINS: To complete this recommendation, RES should use the legislative project milestone data it already collects—supplemented with additional internal project time reporting—to track the overall progress of real estate projects. RES management should then use this information to aid in managing its work internally and in informing county stakeholders about areas of delay. For example, RES stated the standard for Council review is 45 days, but Council review averaged 85 days in 2017; RES could share this information, along with potential changes in standards, as part of an annual report (see Recommendation 8, below).

## 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: As noted in the April 2018 audit follow-up, RES transmitted legislation changing the process for tax title sales, approved by Council in November 2017. The code changes accelerated the process for tax title sales, improving RES's efficiency and resulting in financial gain for the County. RES management noted that it has since identified additional areas where code changes could improve the efficiency of real estate transactions, and included them in its summary reports to the Executive's Real Estate Major Project Oversight Committee (REMPOC), but no additional action was taken on these potential changes. Leadership also commented that Title 4 of the King County Code (containing the main body of county law regarding real estate management) is cumbersome, such that legislation to change processes is difficult. However, these concerns directly reflect the purpose of the recommendation: providing an avenue to identify process challenges in the code.

WHAT REMAINS: RES should report on areas it has identified where changes to King County Code could aid in the efficiency of real estate processes. Those areas should be included in its 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: In 2018, RES conducted a customer analysis process improvement effort, where it met with and surveyed client county departments to identify elements of the RES services process that could benefit from greater attention. RES reports that it is implementing changes in customer engagement based on this engagement effort. The effort informed data elements RES includes in its properties database. RES management reported that the engagement process

helped it better understand customer needs and strengthened relationships with client departments.

During the audit, RES noted that implementation of the comprehensive facility asset management (C-FAM) system should provide customers greater information regarding county facilities, and that developing a plan to meet their interests was complementary to C-FAM implementation.

WHAT REMAINS: To complete this recommendation, RES should document how the feedback gathered through its customer engagement process is implemented in C-FAM system reporting. RES's completion of its customer engagement effort should help improve its performance relative to county departments and agencies. By including consideration of customer needs regarding county real estate information, RES is better poised to answer informational requests and provide more comprehensive reporting of the county's real estate assets.

## Recommendation 7                                          DONE ✓

**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 developed a new, more comprehensive database of the county's real estate portfolio in 2018. The database is functionally complete and includes all county properties. RES updates it based on improved departmental communication protocols for reporting new county real estate assets, especially title information from the King County Assessor. The database provides a single inventory for county properties, along with a range of key details for each property, aiding RES in providing complete information to county stakeholders.

IMPACT: Complete and high-quality real estate portfolio information is essential to RES's role, both in providing county stakeholders general information about the type and location of county-owned properties, and in supporting individual projects. Implementation of this recommendation supports RES's fundamental mission in managing the county's real estate inventory well, and enables more detailed asset management efforts such as C-FAM implementation.

## Recommendation 8                                          OPEN ⊗

**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: During the last audit follow-up, in April 2018, RES management stated it was planning to release an annual report later in spring 2018. The report was to include internal FMD project information along with summary information on the county's real estate portfolio. Unfortunately, RES never completed the report. As part of the current follow-up, RES management noted that it reports on individual projects periodically to REMPOC, and also summarizes the real estate portfolio at REMPOC annually, including its leasing unit. However, RES states that REMPOC reporting is not a formal document, but instead a summary of the information in the real estate

portfolio. RES currently has no plan to prepare a public-facing annual report available to county stakeholders, including the County Council.

**IMPACT:** The purpose of this recommendation, as explained in the audit, was to address the lack of a summary report on property asset management for county decision-makers at least annually. Annually reporting portfolio-level real estate information is a best practice because it helps address changing circumstances, market conditions, and county needs in contrast with the four-year duration of the Real Asset Management Plan. Along with summary information, the report provides a pathway for identifying potential process changes (per Recommendation 5) and sharing summary information for customers, including C-FAM data (per Recommendation 6). To complete this recommendation, RES should design and issue the annual report, including the features noted above, and develop a process for preparing and revising the report over each calendar year.

Justin Anderson, Principal Management Auditor, conducted this review. If you have any questions or would like more information, please contact the King County Auditor's Office at KCAO@KingCounty.gov or 206-477-1033.