Follow-up on Real Estate Services Audit

Real Estate Services' (RES) minimal progress in completing the remaining audit recommendations perpetuates a lack of transparency in county real estate management. As explained in the last audit follow-up (December 2021), the remaining three recommendations from the 2016 Real Estate Services audit address two key areas: establishing performance measures for RES's work and providing an annual report to the King County Council. And, as with the last audit follow-up, RES did not make substantial progress in either area. Both of these actions are management best practices. RES faces constant challenge in managing project priorities among its many service types (including leases, acquisitions, and permits) and county partners. Because it does not have performance measures, its ability to identify internal and external barriers to timely completion of projects is limited. And because RES does not provide an annual summary report of its work to stakeholders, the connection between individual projects and the County's real estate portfolio is often missing—changes in project priorities and new opportunities lack context. Without the report, RES also loses the opportunity to suggest changes in processes and King County Code (KCC) that could lead to greater efficiencies in its work.

Completing RES's new section manager's priorities would restore credibility in addressing the issues underlying the remaining recommendations. In two of the four previous audit follow-ups (April 2018, August 2019, December 2020, and December 2021), we had to revert the status of recommendations from "progress" to "open" based on RES and the Facilities Management Division's (FMD) abandonment of previous efforts. In August 2019, we reverted Recommendation 8 from "progress" to "open" when RES threw out its plan for an annual report. In December 2021, we did the same with Recommendation 4, as RES leaders had quit development of the performance system with no apparent plans for a new one. Through this audit follow-up, new RES management shared its plans for addressing these needs, including issuing an annual report in the first quarter of 2023 and implementing performance management data measures by the end of 2023. Focused effort in delivering on those plans would address the problems identified in the 2016 audit, as well as reestablishing confidence that RES and FMD are following through on their process improvement commitments.

Of the eight audit recommendations:

✓ 5 DONE	⋯ 2 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 ✓ |

| Recommendation 2 | As of April 24, 2018 | DONE ✓ |

| Recommendation 3 | As of August 2, 2019 | DONE ✓ |

Recommendation 4 — OPEN ⊘

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: In the last audit follow-up (December 2021), we explained in detail that RES had abandoned the initial progress it made on this recommendation after 2019. At the time RES management opined that performance management was "unhelpful." However, RES leadership was changing; the section manager was leaving for a new position and an interim lead had not been identified. Since then, FMD leadership has hired a new section manager, with an intent for greater focus on the "nuts and bolts" of strategic management. The new section manager described their plan to address this recommendation through an existing real estate project management software solution (CoStar) that would allow for more robust project tracking. RES is currently working with procurement to purchase and implement this additional functionality in the first quarter of 2023. RES is also gathering project data for year-end reporting, including transactions processed by line of business. Although promising, these efforts are in their early phases.

At the time of the audit (July 2016), RES concurred in the recommendation and set its implementation date as December 31, 2017. It has been nearly five years since RES passed its own deadline for establishing a performance measurement framework for its work. Establishing systemic performance measures tracking the level of effort on, and advancement of, projects is a core best practice.

WHAT REMAINS: To complete this recommendation, RES should establish and document its measures and processes for tracking the progress of individual projects across its different service lines, sufficient for internal workload management and external reporting, as needed.

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: This recommendation references Recommendation 8, below; it addresses key content for the annual report mentioned in that recommendation. During the last audit follow-up (December 2021), RES staff reported it hoped to issue an annual report in April 2022 and could include process improvements related to activities during the COVID-19 pandemic. Although RES did not complete the report in April 2022, RES staff identified potential practice changes that could help improve processing time and a plan to include them in its pending annual report in the first quarter of 2023. See Recommendation 8 for additional context.

WHAT REMAINS: To complete this recommendation, RES should provide a summary of potential process changes to improve efficiency as part of its annual report.

Recommendation 6	As of December 1, 2020	DONE ⊘

Recommendation 7	As of August 2, 2019	DONE ⊘

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: In the audit (July 2016), FMD concurred with this recommendation, planning to issue its initial report in December 2017. Five years later, RES's new section manager has renewed the commitment to issue an annual report, beginning in the first quarter of 2023. As explained in previous audit follow-ups (April 2018, August 2019, December 2020, and December 2021) RES staff consistently identified ongoing challenges in implementing property database systems as the barrier to issuing a report. However, these issues did not explain why RES was unable to provide summary-level real estate portfolio information annually, consistent with best practice and its own internal needs.

The KCC has long required RES perform the work supporting the annual report. FMD's responsibilities under KCC 4.56.070(A) categorically include maintaining a database of county-owned property, and RES is required to issue a Real Property Affordable Housing Report by July 1 annually under KCC 4.56.070(F). Since the time of the audit (July 2016), changes to KCC 4.56.070 support the annual report; for example, the changes from Ordinance 19330, requiring reporting of county departments who do not report surplus property, could be included in the report. RES section manager has developed a work plan for the annual report and plans to submit the first report to the County Council in the first quarter of 2023. The report should include summary information on the work RES completed in 2022, note potential improvements to processes (per Recommendation 5, above), and highlight areas of focus for 2023.

WHAT REMAINS: To complete this recommendation, RES should issue the 2022 Real Estate Services Annual Report to the County Council. As explained in the last audit follow-up, completing the report will provide context for RES's work by connecting individual projects and efforts with

King County's overall real estate portfolio. Reporting portfolio-level real estate information to key stakeholders and decision-makers annually is a best practice.

Justin Anderson 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.