



KING COUNTY AUDITOR'S OFFICE

APRIL 1, 2019

Follow-up on Tax Title Properties: Proactive Approach Could Address Backlog and Reduce Risk

King County faces risk of financial and reputational loss because the Real Estate Services (RES) section is not proactively managing tax title properties. Six of our seven recommendations remain open, which means that the County continues to be exposed to significant financial risk as people are illegally accessing and using these properties. In our February 2018 audit we reported that the scale and immediacy of risks posed by tax title properties—such as paying for claims if people are injured on these properties—requires proactive action by RES. In the past year, RES has not taken action on five tax title properties that have illegal play structures, despite specific examples of misuse on such properties and the availability of funds through the Office of Risk Management. In addition, RES has not taken action to gain a full understanding of what it owns and what other risks it faces on the estimated 1,000 other tax title properties. RES has not assessed the risks of its current portfolio, nor has it established practices for assessing the types of problems on the dozens of new tax title properties it acquires each year. RES is also not using its enforcement powers to transfer risk to the people who are actively using properties for parking, driveways, buildings, and landscaping.

RES has reduced the quantity of tax title properties, but these efforts are not sufficient to address the risks posed by tax title properties. Since the publication of our audit last year, RES has sold 119 tax title properties. Sales are only one part of successfully managing tax title properties. As we point out in our 2018 report, because of their size and buildability, only a fraction of the tax title properties will ever find people willing to buy them, and the portfolio gains dozens of new properties every year. This means that RES needs to develop plans and activities to address the bulk of the non-saleable tax title properties, by utilizing the talents of its current staff, mobilizing its enforcement powers, and collaborating with other county entities. Earlier this year, RES hired a new staff person to help manage these properties, which completes our recommendation to assess resource needs and to request the appropriate resources.

Of the seven audit recommendations:

	1 DONE		0 PROGRESS		6 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

OPEN



The Real Estate Services Section should work with the Office of Risk Management to take immediate action to mitigate the risks posed by play structures on tax title properties within King County.

STATUS UPDATE: Despite the immediate risks posed by play structures on tax title properties, and the availability of resources from the Office of Risk Management, the Real Estate Services Section has not made progress on this recommendation. Through analysis of aerial maps, online street view images, and site visits, we identified five specific examples of non-county play structures existing on tax title properties. The Office of Risk Management has resources and staff to help mitigate risks such as these, including the county's loss control fund. Nevertheless, RES has not applied for these funds or taken steps to address these known areas where the County could be held liable for serious injury. According to ORM, the potential financial and reputational exposure in this area is significant.

WHAT REMAINS: RES needs to address the risks posed by the structures identified in our audit.

Recommendation 2

OPEN



The Real Estate Services Section should conduct and document an assessment of its tax title holdings as of January 1, 2018 to identify risks presented by properties.

STATUS UPDATE: Although RES has sold several tax title properties in the past year, it has not taken steps to understand the types of risks on its tax title properties. As a result, it may be overlooking immediate risks on the hundreds of tax title properties that remain unsold in its portfolio. During our audit, we observed play structures, dwellings, outbuildings, vehicles, and landscaping on tax title properties. Sales of these types of properties should become a priority.

WHAT REMAINS: RES needs to conduct a review of its current tax title holdings to understand what risks are present on these properties, documenting methods used, and what it found. As shown in our February, 2018 audit report, such a review could utilize maps and street views available online.

Recommendation 3

OPEN



Based on the types of risks identified in the assessment in Recommendation 2, the Real Estate Services Section should set up practices to assess and address the risks of current tax title properties and the new tax title properties that enter the county's portfolio each year.

STATUS UPDATE: RES is unable to show progress on this recommendation because it has not implemented Recommendation 2. As a result, RES does not have a complete understanding of what it properties it holds and what risks are present, and thus is unable to establish the practices it needs to address the financial and reputational exposure presented by these properties. In addition, it has not worked with Treasury Operations to understand what new properties are coming into the portfolio each year.

WHAT REMAINS: RES needs complete Recommendation 2. Based on the information from that effort, RES needs to establish activities to monitor and respond to risks on current properties as well as the dozens of new properties that enter the portfolio each year.

Recommendation 4

OPEN



The Real Estate Services Section should use its authority to require special use permits for the ongoing use of tax title properties when current users are unwilling to purchase the property.

STATUS UPDATE: RES has not made progress on this recommendation, and told us that implementing this recommendation is unlikely since individuals who are using tax title properties may be reluctant to apply for a special use permit. RES also said that it does not have the staff or expertise to enforce permit requirements on this type of property.

WHAT REMAINS: RES has responsibilities related county properties, as well as powers of enforcement. In order to complete this recommendation, RES needs to use its enforcement powers or seek other alternative courses of action to protect these King County properties.

Recommendation 5

OPEN



The Real Estate Services Section should establish and document practices to identify and prioritize tax title properties to include in future auctions.

STATUS UPDATE: RES has put up several dozen tax title properties for sale on online auctions, and told us that it puts up the properties on the auction based on the number of people that contact RES seeking to buy the property. It also provided us a list of activities that it may engage in, such as prioritizing greenbelts, retention ponds, and open spaces for sale. However, it is not clear how RES will ensure that these activities occur.

WHAT REMAINS: RES needs to establish and document practices for identifying and prioritizing tax title properties to include in future auctions. Formalizing these activities in RES policies and procedures would help ensure that such activities take place.

Recommendation 6

OPEN



The Real Estate Services Section should establish and document practices to identify potential buyers of tax title properties.

STATUS UPDATE: RES provided us with a list of sales-related activities that it may engage in to address this recommendation. However, like its response to Recommendation 5, there it is not clear how RES will ensure that these activities actually take place.. We detail in our report how other nearby jurisdictions contact potential buyers. This type of work can happen even before a property becomes a tax title, and would require collaboration with Treasury Operations.

WHAT REMAINS: RES needs to establish and document practices to identify potential buyers of tax title properties. Formalizing these activities in RES policies and procedures would help ensure that such activities take place.

Recommendation 7

DONE



The Real Estates Services Section should define the body of work required for the management of tax title property risk mitigation and sales, assess the capacity of existing staff to more proactively manage the county's tax title portfolio, and request temporary staff resources if necessary.

STATUS UPDATE: RES asked for and received funding for a new staff member in the 2019-2020 budget to focus specifically on tax title properties. According to the budget justification, this person is supposed to assess risk and work with the Property Management Division, Office of Risk Management, and RES sales staff to mitigate County exposure to possible risk stemming from these properties. This indicates that RES conducted an assessment of the requirements for this position and its current capacity.

WHAT REMAINS: NONE

Sean DeBlieck, 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.