Metropolitan Council

Program Evaluation and Audit

Property Acquisition & Management

September 9, 2008

INTRODUCTION

Background

According to the 2007 [CAFR] financial statements, the Metropolitan Council owns land assets worth over $80 million. Types of land asset and land acquisition vary among the Council's Divisions. The majority of Environmental Services (MCES) acquisitions are easements, which involve obtaining the legal right to use land without owning it. MCES acquires easements from private land owners in order to put waste water pipes (interceptors) in the ground connecting local communities to treatment plants. MCES also owns land in fee title for treatment plants, lift stations and meter stations.

The Housing and Redevelopment Authority (HRA) owns 150 single-family dwellings that were acquired for the Family Affordable Housing Progam (FAHP). The HRA does not have any plans to acquire more property at this time.

Metro Transit acquires property for park & ride facilities, bus garages, light rail and other support facilities. Transit also has many leases for transit centers and park & rides on private land and land owned by other municipalities. MCES and Transit make up the bulk of land acquisitions and land assets.

Given the dollar value of real property and its importance to Council operations, the 2007 Risk Assessment identified it as a high risk area. The audit reviewed current property acquisition practices and management of leased properties.

Purpose

This audit will assess the efficacy of current property acquisition and management practices and identify opportunities for improved efficiencies and reduced risk.

Scope

The scope of this evaluation included real property held by the Council including land, easements and leases. Program Evaluation and Audit (Audit) reviewed the acquisition process and management of leased property.

Methodology

Data Collection

Interviews were conducted with:

- Office of General Counsel staff
- MCES and Transit Project Managers
- Transit Facilities management & staff
- Transit Finance staff
- Regional Administration Finance staff
- HRA and Community Development staff

In addition, the following were reviewed:

- State and Federal statutes pertaining to property
- PeopleSoft financial asset reports
- Metropolitan Council Comprehensive Annual Financial Reports
- Metropolitan Council policies on property management and records retention
- Property records and/or project files
- Lease contracts

Testing

- Analyzed the acquisition process across divisions and stakeholder groups using flow chart tools
- Reviewed lease terms and payments for leased Transit properties
- Compared land assets in various property inventories
- Reviewed the maintenance of vital property records (deeds, etc.)

Assurances

This review was conducted in conformance with *Government Auditing Standards* and the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors.

OBSERVATIONS

Property Acquisition Process

Audit reviewed the property acquisition process focusing on Transit and MCES property transactions as these constitute the bulk of acquisitions. Audit interviewed key staff involved in property acquisitions including MCES project managers and administrators, Transit Engineering & Facilities staff and project managers, and legal counsel in the Office of General Counsel (OGC).

Property acquisition is a long and complicated process that involves coordination between division project managers, legal counsel and outside consultants. Acquisition must also be approved at varying points by departmental managers and directors, the division General Manager, the Regional Administrator and the Metropolitan Council. Some processes are the same for all acquisitions. However, the acquisition process can also vary depending on the type of acquisition (easement vs. fee title) and how the purchase is funded. Federal or State funding of an acquisition generally requires additional steps in the acquisition process. Table 1 shows an overview of the acquisition process including key steps and the general order in which they occur.

Table 1. Overview of Key Acquisition Procedures

Acquisition Procedure	Performed by:
Determine property to be acquired	Project Manager
Review acquisition plans with legal counsel	Project Manager
Draw up title report	Consultant-title company
Conduct survey work	Consultant-surveyor
Conduct appraisal of property	Consultant-appraiser
Collect title, survey, appraisal work	Legal Counsel
Prepare business item for acquisition	Project Manager
Approve acquisition	Metropolitan Council
Negotiate with property owner	Project Manager OR Consultant
Prepare offer letter	Project Manager
Approve & sign offer letter	Division Manager AND Regional Administrator
Prepare purchase agreement	Legal Counsel
Prepare closing documents (deed, etc.)	Consultant OR Legal Counsel
Review closing documents	Legal Counsel
Initiate check for purchase	Legal Counsel OR Project Manager
Report acquisition to finance	Legal Counsel
Record property with county	Legal Counsel OR Consultant
Apply for tax exempt status	Legal Counsel OR Consultant
Set up permanent land records	Legal Counsel

The acquisition process includes additional steps to those presented in Table 1, but these have been omitted in the interest of simplicity. Audit prepared a flow chart of the process that includes more detail than shown above.

Some acquisition steps vary across Council divisions. For example, MCES will often present acquisition plans to the Metropolitan Council for approval toward the very beginning of the process; Transit will present a business item for acquisition after appraisals and some initial negotiations with the property owner. This variation in the process is due to the differences between the MCES and Transit business models. Demand for waste water services is projected and planned for decades out, and so acquisitions for new interceptor lines can be planned many years prior to any construction work. Demand for new Transit facilities can only be determined a few years prior. Also, whereas MCES must acquire easements on dozens of properties, Transit is generally only working with one or two property owners for a project.

Another variation between MCES and Transit occurs in the timing of survey work. MCES always initiates survey work prior to appraisal and negotiations. Transit will sometimes initiate survey work after a tentative deal has been reached with the property owner but prior to the official closing.

There is also variation in the party responsible for an acquisition procedure depending on the division and the staff working on the project. Acquisition negotiations at Transit are conducted by the Director of Engineering & Facilities or a project manager; MCES generally out sources negotiations to consultants. For MCES, the OGC is responsible for initiating the check for a property purchase, recording the property with the county and applying for tax exempt status for property taxes; in Transit acquisitions, the project manager requests the check for purchase from finance, and outside consultants are used for recording property interests and applying for tax exemption.

Communication is critical to the acquisition process given its complexity. Interviews with project managers, legal counsel, department managers and administrators revealed that communications between all different stakeholder groups must be ongoing.

Audit conducted a business process analysis of property acquisition. Flow charts were created from interviews with staff involved in acquisition, and these were analyzed for differences in the process that present possible internal control weaknesses.

Audit found that communication with Transit finance is a weakness in the current system. Interviews with Transit project staff and legal counsel indicated a lack of agreement on the party responsible to report a new acquisition to Transit finance. The attorney who deals with most Transit acquisitions indicated that the project manager alerts finance to the acquisition; the project manager indicated that legal is responsible. According to Transit finance, they usually find out about a new property acquisition through the check request for the purchase. However, finance needs more information on the transaction than the total purchase amount such as an itemized expense report that includes the cost of buildings, easements and land as well as any other applicable costs. These cost items need to be reported to finance on a consistent basis. Regional Administration Accounts

Payable receives an itemized account of MCES acquisitions in a finance memo prepared by legal counsel.

Property Management in Other Government Agencies

Audit interviewed officials at two State agencies with centralized real estate management functions, the Minnesota Department of Administration (Admin) and the Minnesota Department of Transportation (Mn/DOT). The Admin Real Estate and Construction Services (RECS) Department has 28 staff, 11 of whom are project managers working on construction. The RECS department does most services in house, including appraisals, inspections and surveys. The department deals with low volumes of acquisitions and almost no dispositions of property.

The Mn/DOT Office of Land Management offers legal and administrative services such as dealing with settlements, processing payments and reviewing appraisals. The Office of Land Management also maintains an inventory of all right of ways held by Mn/DOT. The property management structure at Mn/DOT is similar to the Council in that much of the work done in acquiring a property is actually decentralized and is taken care of by individual project managers in Mn/DOT field offices. Project managers in the field offices do the initial scouting, survey and title work on a property of interest. Mn/DOT also manages a large volume of acquisitions like the Council.

The RECS department at Admin is not comparable to the Council's property acquisition process given their low volume of acquisitions and highly centralized organization. Due to the diversity of Council business activities it is not feasible to have all project managers reside in the same department. However Mn/DOT uses a property management model quite similar to the Council. A tool that Mn/DOT employs to aid in the acquisition process is its 'Right of Way Manual,' which is a comprehensive guide to acquiring, managing and disposing of property at Mn/DOT. The guide is an effective communication tool for informing staff throughout the state about agency property acquisition policies and procedures.

Council Property Acquisition Policies and Procedures

In 1998, there was an effort to put together a Council-wide Administrative Policy Code that would include policies covering the acquisition of real property, conveyance of real property and retention of real property records. Council policies covering property acquisition and records are still referenced in a current policy titled 'Management of Regional Assets' (Council-wide Policy 3-4). In the Regional Assets document, a procedure on acquisition of real property is listed as procedure 3-4a; a procedure on conveyance of real property is listed as procedure 3-4b; a procedure on retention of real property records is listed as procedure 3-4c. Since 1998, procedures 3-4a through 3-4c have been replaced with procedures governing fleet management and use of facilities by consultants. Audit was unable to find any documentation of the referenced property procedures.

Audit reviewed property acquisition policies including the existence of any policy or procedure documents used by the Office of General Counsel (OGC) and project management staff. OGC has an acquisition procedure manual that was developed for Metropolitan Waste Control Commission (the predecessor to MCES) in 1986. This procedure manual has not been formally adopted by the Council, however it is still used as a guide according to legal counsel. In 2003, OGC staff suggested adopting a revised copy of the procedure manual as official Council policy. The procedure manual was not brought to the Council for formal adoption as a policy, nor was it adopted internally as an official operating procedure.

Audit reviewed the unofficial procedure and used it to create a control questionnaire in order to review how acquisition steps have changed since the original document was created 20 years ago. Most procedures remain unchanged according to legal counsel. The main substantive changes to the procedure are that the OGC no longer reviews survey and appraisal work that is prepared by outside consultants. This change occurred due to loss of staff in the OGC three to four years ago. The OGC used to have a real estate administrator on staff that was responsible for reviewing survey, appraisal and title work, as well as preparing other acquisition documents. Since the loss of this staff person, legal counsel has taken on some of the administrative work. However, counsel is unable to absorb the survey and appraisal review work. Legal counsel would prefer to have a review function back as there have been mistakes in a limited number of survey and appraisal documents that may have been caught early on in a review process.

Land Asset Inventory

During the property review, Audit collected information on land owned by the Council from multiple sources. For example, the PeopleSoft asset management system contains financial information on land by division, Accounts Payable has lists of land by county from property tax billings, OGC has lists of acquisitions for MCES projects, Transit Finance maintains a property list from tax records, Transit Engineering and Facilities has databases of transit facilities including those owned by the Council, and both MCES Finance and MCES Technical Services management provided property lists to Audit. While each of the individual lists of properties serves a particular purpose, there is no single comprehensive inventory of land owned by the Council.

This audit was not conducted as a comprehensive review of land assets in the financial system. At the same time, the asset management system is the most comprehensive list of Council-owned land, and as a result Audit used the asset management system as a proxy for a land inventory system. Audit conducted a limited review of land in the asset management system by comparing property from property tax documents to land assets in PeopleSoft. While this review involved analysis of financial land assets, it should be clear that this report is not an opinion on the accuracy of the Council's financial systems or financial reporting.

Audit compared a list of Metro Transit properties from property tax records to land assets in the financial system. Of the 31 properties reviewed, Audit could not locate four

Transit properties in land assets. According to Transit finance staff, all four of these properties were donated to the Council. Two of these properties had asset value listed under buildings that is attributable to improvements to the land. Only one of the properties was acquired prior to the merger of Metro Transit and the Metropolitan Council. Metro Transit finance staff is investigating whether the land should be added to land assets in the asset management system, and what method of valuation would be appropriate.

According to Transit Finance, the most common way for them to find out about a new land asset is when a check request comes through Accounts Payable for the purchase of the property. Transit Finance is not contacted routinely for new acquisitions unless a check is required for the purchase.

Audit conducted a similar comparison between ES property tax documents and ES land in the financial system. Audit was unable to locate one piece of property in land assets. The property in question was purchased in conjunction with permanent and temporary easements. According to finance, the fee title land is in the asset management system as an infrastructure asset.

The OGC is leading a new project to create a comprehensive Land Records System for all Council properties. A comprehensive system would centralize land records and create a complete inventory of Council land assets. Various groups of Council staff need access to these records from different office locations. The Records System would allow staff to access property information electronically from any location.

Deed Retention

According to the Council Data Retention policy, property deeds are to be permanently maintained in the Office of General Counsel. Audit performed some limited testing of the retention policy by reviewing deeds for MCES, Transit and HRA properties. In total, audit looked up deeds for 35 properties. With the assistance of legal counsel, Audit was able to locate deeds for all but one property. Audit found that the deed for the Police Services Building in Minneapolis was not retained in the permanent land records.

The deed for the Police Services Building was last in the possession of the title company that handled the closing for the property in 2003. In the acquisition of the police building, the title company was responsible for recording the deed with the County. The title company is supposed to send the original deed to the OGC after recording the document; in this instance, it appears that the deed was never sent. The title company cannot locate the original deed and they are requesting a duplicate copy from the County.

MCES Easements in Land Assets

Audit reviewed a sample of MCES project files for property records pertaining to project acquisitions. Almost all of the acquisitions in the project files were for easements. Audit attempted to track the acquisitions from the project files to financial records in the asset management system. The files reviewed by Audit contained documentation of only one fee title acquisition, and this property was located in the asset management system.

MCES has thousands of permanent easements in the metropolitan area. These easements are not included in land assets; easement costs are included in infrastructure assets which are depreciated over the life of the interceptor. Current government accounting standards as set by the Government Accounting Standards Board (GASB) allow for this method of accounting for easements. However an upcoming change in accounting rules will require material expenditures on permanent easements to be treated as capital assets with an indefinite useful life. Governments are required to implement this new accounting standard, GASB Statement No. 51, for periods beginning after June 15, 2009. The Council's Controller has stated that further analysis is being conducted of easement costs in preparation for implementation of the new standard.

Metro Transit Lease Agreements

Metro Transit leases 86 facilities for transit centers and park & rides. Audit reviewed a sample of these leases for current contract terms and lease payments in 2007. Audit reviewed a statistically significant sample of 13 leased facilities. Two facilities under review have agreements specifying that Transit is responsible for certain operations and maintenance. Audit did not review the appropriateness of internal allocations of operation and maintenance expense, so expenses for these two facilities were not reviewed in detail.

Audit found that four (31%) of the sampled facilities lacked a formal lease agreement. According to Transit facilities staff, some of the park & ride arrangements date from over twenty years back and were based on 'hand shake' agreements. Without a formal agreement the Council could be at risk of losing the right to the lot for park & ride purposes at any time. Audit checked for payments attributable to the facilities that lack formal agreements and found none.

Of the facilities with formal agreements, most Transit lease terms specify that the Council will reimburse the lot owner for a percentage of snow plow costs and maintenance. Audit reviewed payments made for these leases for compliance with the lease terms. Audit found that in one instance, insufficient documentation was submitted to justify reimbursement. The lot owner submitted a request for payment to reimburse for lot maintenance costs totaling $56,910 of which the Council is liable for 25% or $14,227.50. The maintenance costs were from six separate maintenance projects between 2005 and 2007. The lot owner failed to provide documentation for one of the projects which was reported at a cost of $2,000.00 for asphalt patching. The Council paid for 25% of this expense, or $500 for the undocumented asphalt patching. Upon bringing this to the attention of Transit staff, the missing documentation was obtained from the lot owner and the documentation indicates that the expense is appropriate to the terms of the lease.

Audit found utility expenses that were inappropriately attributed to a park & ride facility. According to the lease agreement, the Council is responsible for snow plow and unusual wear to the parking lot. However, utility cost was being charged to the facility throughout 2007 even though it is not included in the lease agreement. The address on the water bills indicate that the utility expense is for a different Council-owned parking lot. According to the Transit administrator in charge of assigning account codes to billing, information was entered into the Transit Utility database in error. The error has been corrected since Audit brought it to the attention of Transit. Finance has been notified of the error as well to correct the account code.

Audit also conducted a limited review of the lease database for accuracy to lease contract terms. The Transit Engineering & Facilities Department has developed a database for major facilities that includes information on leases. Audit compared the contract terms to the terms specified in the facilities database maintained by Engineering & Facilities. For the sample of facilities reviewed, the database matched the terms of the contract.

Property Taxes on Transit Leases

As a government agency, property owned by the Council is generally exempt from property taxes (aside from certain special assessments). However, Council properties are subject to property taxes when a facility is leased to a private business. For example, the Council acquired the 'Ragstock' building for transit purposes and leased the building back to the previous owners as was specified in the purchase agreement. The lease ended as of January 1, 2008 and the tenants vacated the building. Because the property was used by a private business in 2007, the Council must pay property taxes on the land for 2007 in 2008. Unfortunately, the lease for the building did not clearly define that all property taxes accrued during the lease term are the responsibility of the tenant. Because of this error, Transit is liable for the 2007 taxes.

CONCLUSIONS

1. *The Council owns a great deal of property, yet there is no standardized acquisition process which creates a risk for errors and inefficiencies.*

Property acquisition is a long and complicated process involving coordination between multiple departments and outside consultants. Acquisition procedures vary depending on the staff involved in the transaction. Some procedure variations are due to the individual requirements of the project, such as different funding requirements or the type of property being acquired.

The Council is fortunate to have experienced project management staff and legal counsel who have dealt with many property acquisitions. However, a Council-wide procedure would create a baseline of knowledge on acquisition that is accessible to anyone and would be particularly helpful for project managers and others who must learn the process. Furthermore, a council-wide policy would ensure that everyone is aware of acquisition requirements and create uniformity in certain key steps of the process. Also, standard property acquisition guidelines would increase efficiency and accountability in the acquisition process.

2. *There is no centralized records system for Council properties that serves as a comprehensive inventory of all land interests and assets.*

The Council has multiple lists of properties developed for different business purposes. Audit compared certain property lists to the asset management system. However the financial system serves as a poor proxy for a property inventory given the complexities of accounting standards and asset valuation. The Council would benefit from the various property information from different departments being compiled in one central location accessible Council-wide. A comprehensive system would centralize land records and create a complete inventory of Council land assets.

3. *A significant number of Transit leased facilities lack any sort of formal agreement and other Transit leases lack standardized terms. As a result,*

    a) *lease management is a time consuming process with a high risk for errors in payments.*

Audit reviewed payments made for leases in 2007 and found that utility expense was being wrongly attributed to a park & ride facility even though the lease terms did not include utilities. Also, Audit found a lease payment that lacked comprehensive documentation for the payment request.

   b) *Metro Transit is potentially at risk of losing the right to a significant number of leased park & ride facilities.*

Audit testing found that an estimated 31% of facility leases are based on hand shake or other informal agreements. Without a formal contract, Transit may be at risk of losing the right to use a park & ride facility at any time. Although informal arrangements can provide benefits of flexibility, since these facilities are vital to Transit business, the potential for losing the use of them should also be considered.

RECOMMENDATIONS

Program Evaluation and Audit recommendations are categorized according to the level of risk they pose for the Council. The categories are:

- **Essential –** Steps must be taken to avoid the emergence of critical risks to the Council or to add great value to the Council and its programs. Essential recommendations are tracked through the Audit Database and status is reported twice annually to the Council's Audit Committee.
- **Significant –** Adds value to programs or initiatives of the Council, but is not necessary to avoid major control risks or other critical risk exposures. Significant recommendations are also tracked with status reports to the Council's Audit Committee.
- **Considerations –** Recommendation would be beneficial, but may be subject to being set aside in favor of higher priority activities for the Council, or may require collaboration with another program area or division. Considerations are not tracked or reported. Their implementation is solely at the hands of management.
- **Verbal Recommendation –** An issue was found that bears mentioning, but is not sufficient to constitute a control risk or other repercussions to warrant inclusion in the written report. Verbal recommendations are documented in the file, but are not tracked or reported regularly.

1. Official acquisition policies and procedures should be developed and brought before the Council or the internal procedure review team, as appropriate. (Essential)

Acquisition policies are referenced in current Council-wide policy however Audit was unable to locate these policies. Interviews with legal counsel and project management staff revealed that the most recent procedure manual for acquisitions dates from 20 years ago and is specific to MCES acquisitions. Acquisitions are handled differently depending on the Council division, project and project manager. While some of these variations are due to the individual challenges of each project, other differences are simply due to the lack of uniform guidelines on acquisition. By creating a uniform procedure for property acquisition that identifies key control processes, the Council will better ensure that property acquisitions comply with the law and that public funds are effectively controlled.

Management Response: *Regional Administration will take the lead in working with operating divisions to identify and address key control processes inherent the acquisition processes and will update procedures for acquisitions accordingly.*

Responsible: Mary Bogie, Controller
Estimated Completion: December 2008

2. The OGC should communicate all new acquisitions of land to accounting staff in charge of assets. (Essential)

Audit interviews with asset accounting staff indicated that communication of new acquisitions is not consistent. Analysis of the acquisition process indicated that communication with finance varied by division and project staff; with MCES acquisitions legal counsel informs Accounts Payable of a purchase; in Transit acquisitions it is unclear who informs finance and communication varies between project manager and legal counsel. Finance needs consistent communication of new assets in order to ensure that the financial records are accurate. This communication should come from legal counsel as they are most knowledgeable of when the Council has closed on a piece of land.

Management Response: *The acquisition procedures addressed in the previous recommendation will document this process. Within a reasonable period of time after closing, the Office of General Counsel will prepare a Certification With Respect to Taxpayer I.D. Number for each acquisition and transmit the certification to Accounts Payable at the Council's Office of Finance and as requested to the designated person in Metro Transit.*

Responsible: Mary Bogie, Controller/Office of General Counsel
Estimated Completion: December 2008

3. Transit Engineering & Facilities staff should review leases to identify those lacking formal agreements which may pose a business risk to Metro Transit operations. (Essential)

In the audit sample of leased facilities, an estimated 31% of facilities lacked a formal lease agreement. The Council could be at risk of losing access to these facilities without an agreement defining terms of use. Engineering and Facilities should review leases to determine which facilities lack formal agreements and could be at risk. Metro Transit should consider the risks of potential facility loss in the context of the various benefits that can accompany informal agreements.

Management response: *Staff will first review all facilities to determine if a formal lease exists. If a formal lease does not exist, staff will determine the desirability of completing a formal lease agreement and act accordingly. Staff will update the department's Facilities Database as to actions taken.*

Responsible: Tom Thorstenson Director, Engineering and Facilities (Tamee Rodolph)
Estimated Completion: September 30, 2009

4. Future lease contracts for Council property should be negotiated to include clear terms regarding any liability for any property taxes incurred as a result of the lease. (Significant)

A recent lease was not sufficiently clear in holding the lessee responsible for property taxes, and as a result Transit has faced unexpected tax expense. Ideally, property taxes resulting from a lease should be the responsibility of the lessee and included in the terms of all leases for Council property.

Management Response: *Future lease contracts will include terms regarding the liability for property taxes as appropriate.*

Responsible: Operating Division Project Managers/Office of General Counsel
Estimated Completion: September 2008

5. Transit Engineering & Facilities staff should ensure that all documentation is included in invoices for lease payment prior to approving payment. (Essential)

Many Transit leases specify that Transit will reimburse the property owner for certain expenses such as snow plow and maintenance. When the property owner sends a request for reimbursement, that request should include documentation of the expenses incurred with enough detail to ensure that expenses are appropriate to the lease. Audit reviewed a limited sample of lease payments and found one instance of missing documentation. The documentation has since been received and it shows that the expense was appropriate. In future, all documentation should be received prior to payment.

Management Response: *Staff will ensure on an on-going basis that all proper documentation for lease expenses will be attached to invoices before processing for reimbursement payment.*

Responsible: Tom Thorstenson as the Director, Engineering and Facilities (Tamee Rodolph is responsible for processing payment requests. Backup training will be given to two new Facilities Administrators on the correct procedure for lease reimbursement requests. Training will be accomplished by Tamee Rodolph and Bev Haskins)

Estimated completion: September 2008

6. **Transit Engineering & Facilities should update its database of utility information for park & ride facilities to correct the instance of utility expenses attributed to the wrong facility as identified by Audit. (Significant)**

In reviewing lease expenses, Audit found one instance of utility expense that was being attributed to the wrong facility. The lease terms did not specify that utility costs should be paid and review of the bills showed that the expense was for another facility that is owned by the Council. Engineering & Facilities staff was informed of the error and they have reported that they will update the utility database to correct the error and inform Finance of the necessary corrections.

Management Response: *Staff updated the department's utility spreadsheet with correct T Subclass information for XCEL Account 51-4528922-7 in reference to 420 Wayzata Blvd E and City of Wayzata acct. No. 03-00000015-01 and 322 Wayzata Blvd E. XCEL invoices changing the "T subclass code" to T130 from T054.*

Staff will request that Accounts Payable correct payment information for the one location to reflect the correct T Subclass.

Staff will correctly code future invoices for this site and all other utility invoice sites.

Responsible: Tom Thorstenson as the Director, Engineering and Facilities (Bev Haskins/Accounts Payable staff)

Estimated Completion: September 2008

7. **The Council should work to create an accurate and comprehensive land inventory system. (Significant)**

Audit reviewed multiple property lists created for different business purposes; none of these lists is a complete inventory of Council property. The Council needs accurate knowledge of its land assets in order to make responsible decisions on future acquisition needs. The inventory should include all land held by all divisions, and the needs of the different divisions should be considered in the design of the system.

Management Response: *Management recognizes the necessity of maintaining accurate land records and has a current project underway to create a land records management system. This project has cross-divisional representation to assure the needs each are considered.*

Responsible: Mary Bogie, Controller
Estimated Completion: Currently in Design Stage, pilot planned 4th quarter 2008

8. The Council should improve accountability for the coordination and administration of property issues through the establishment of a property management function in some form. (Significant)

Audit found staff dealing with property acquisition and management to be very knowledgeable and diligent. Most of the issues Audit encountered results from a lack of uniform property management systems and administrative personnel dedicated to property management. The Council owns and leases a great deal of property, and a concentrated focus on property management is needed to organize and administer the myriad issues of property, including: applying for property tax exemption, organizing property records, filing property forms with the county, reviewing appraisals and surveys, facilitating communication throughout the acquisition process, reviewing lease agreements and payments. In addition, more focus should be dedicated to tracking, updating and communicating property information.

Management Response: *Management will identify and document within the acquisition procedures noted in our response to recommendation #1 specific lines of accountability for the Council's property management functions.*

Responsible: Mary Bogie, Controller
Estimated Completion: December 2008