



Real Estate Department Audit of Asset Management Maricopa County Internal Audit October 2020

Why This Audit Is Important

The Maricopa County Real Estate Department (MCRED) provides real estate services to county agencies, including research, acquisitions, leasing/licensing, and management of real property and property rights. MCRED became an independent department in 2017 and this is its first audit as a stand-alone department. Before becoming a department, it was a division within other departments.

We performed this audit to 1) evaluate the adequacy and effectiveness of MCRED's general governance structure, 2) assess MCRED's countywide oversight role of real estate activities, 3) gauge other departments' use of MCRED's services and their understanding of countywide policy for real estate activities (via survey), and 4) review MCRED's records management processes for county-owned property.

Key Findings

- MCRED is early in the maturity model of organizational growth as they are defining processes and implementing strategic goals and progress tracking.
- Most county agencies are aware of MCRED's services, oversight role, and policies relating to real property transactions. MCRED is using our survey results to target outreach efforts.
- Records management processes made it impracticable to identify all county-owned property, or to easily search and retrieve specific documents.
- MCRED has undertaken several initiatives for process standardization, data clean-up, and records management improvements.

All key findings requiring corrective action were addressed through agreed-upon management action plans.

What We Audited

The following pages are a summary of work performed and findings. Corresponding recommendations and responses start on page 4. The responses were approved by Michelle Colby, MCRED Director, on May 6, 2020 and updated on October 13, 2020. More detailed observations and recommendations were communicated to management throughout the audit process.

General Governance

Background – MCRED became a department in 2017 and was tasked with oversight of real estate activities for most county agencies. To assess the adequacy and effectiveness of MCRED’s general governance structure, we interviewed key management personnel and reviewed available governance documents for the following areas:

- Mission, Vision, and Strategic Goals
- Policies and procedures
- Succession planning
- Countywide oversight responsibilities

Observations – Generally, MCRED is early in the maturity model of organizational growth as they are defining processes and implementing strategic goals and progress tracking. MCRED is challenged with maintaining day-to-day operations while simultaneously creating the governance documents needed to foster success of the organization. To address these challenges, MCRED has undertaken initiatives to update countywide policies, create department policies and desktop procedures, standardize processes for real estate functions, and increase countywide awareness of its real estate oversight role.

Opportunities exist to further improve MCRED’s general governance. These include developing, documenting, and communicating its mission, vision, and initiatives, along with related goals and target completion dates (**Recommendations 1 and 2**). To assist MCRED with our recommendations, we developed and furnished a “Strategic Planning Framework” document which provides guidance and examples for documenting department initiatives/goals, implementation plans, and progress tracking.

Countywide Survey

Background – We conducted a survey of all county agencies to identify those involved in real estate activities and to gauge their use of MCRED’s services and their understanding of County Policy A1901 pertaining to the leasing or licensing of real property. The voluntary survey had 97% participation.

Observations – Based on the survey results, most county agencies were familiar with MCRED and indicated they consult with MCRED when conducting real property transactions. In addition, most indicated they were familiar with the requirements of County Policy A1901. However, the survey highlighted potential opportunities to increase countywide awareness of MCRED’s activities and to enhance its real estate oversight role through outreach and educational programs (**Recommendation 3**). We shared the detailed results of the survey with MCRED to assist them with targeting outreach efforts.

Records Management

Background – MCRED manages the records of county-owned property. For purposes of this report, the term “county-owned property” includes real property, rights-of-way, easements, licenses, and other legal holdings of Maricopa County. We interviewed key management personnel and reviewed relevant documents (where available) to gain insights into the following questions:

- Does MCRED maintain accurate, complete, and up-to-date records for county-owned property?
- Are records adequately organized for efficient review, retrieval, research, etc.?
- Are records adequately and securely safeguarded (against fire, flood, theft, unauthorized modification or deletion/destruction, etc.)?

Observations – Processes were not adequate to completely and accurately identify, record, and manage records of county-owned property. This is, in part, due to the age of the records, differing record retention policies of various administrations over the years, lack of a comprehensive records management system, and absence of current policies and procedures. Specific examples of our findings include, but are not limited to, the following:

- MCRED has not identified all county-owned property and, therefore, does not maintain a listing of all county-owned property.
- Documents scanned into the OnBase system were not indexed and cataloged in a manner to be easily searchable and retrievable, and some documents were no longer accessible by MCRED.
- Documents scanned into MCRED’s shared drive did not have a common file naming convention, making document retrieval inefficient.
- Paper documents were not maintained in a central location. Instead, the documents were located throughout the department offices, as well as in offsite warehouses at the Department of Transportation and Flood Control District.
- Paper documents were not safeguarded against fire or flood.
- MCRED did not maintain a written record retention schedule.

MCRED has undertaken initiatives to address some of these challenges. These include reviewing, abstracting, and organizing historical files while developing file checklists and naming conventions for improved standardization. In addition, MCRED is exploring the use of an asset management system to assist in the storage, maintenance, and management of county-owned property records. However, these initiatives were not documented, defined, and measured for progress (**Recommendation 4**). To assist MCRED with our recommendation, we developed and furnished a “Strategic Planning Framework – Records Management” document which provides guidance and examples for documenting records management goals, implementation plans, and progress tracking.

Additional Information

This audit was approved by the Maricopa County Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County and its stakeholders. However, this report is a public record and its distribution is not limited. If you have any questions about this report, please contact Mike McGee, County Auditor, at 602-506-1585.

Recommendations and Responses

Recommendations	Responses
<p>1 Develop and communicate a mission and vision to department employees and county stakeholders.</p>	<p>Concur – in progress</p> <p>MCRED will revise its Mission and Vision Statement and disseminate to County Management.</p> <p>Target Date: 12/31/2020</p>
<p>2 Document MCRED’s current initiatives and strategies, along with related goals and target completion dates.</p>	<p>Concur – in progress</p> <p>MCRED will document current initiatives and strategies and set target completion dates for near and long term goals.</p> <p>Target Date: 01/30/2021</p>
<p>3 Use the survey results to identify opportunities for targeting outreach/awareness efforts and to provide clarity in MCRED’s countywide oversight role.</p>	<p>Concur – in progress</p> <p>MCRED will use the survey results to reach out to County Departments and Special Districts to educate teams regarding MCRED’s assistance and role pertaining to County Policy A1901.</p> <p>Target Date: 11/01/2021</p>
<p>4 Document MCRED’s initiatives and strategies regarding record management, along with related goals, milestones, and target completion dates.</p>	<p>Concur – in progress</p> <p>MCRED will document the initiatives and strategies that are developed and implemented for records retention and management and establish goals for abstracting property files and retaining necessary documents.</p> <p>Target Date: 6/30/2021</p> <p>Additionally, MCRED will explore options for an asset management program that will standardize and automate processes, graphically depict property rights, as well as link to our abstracts and retention files.</p> <p>Target Date: 6/30/2021</p>