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City and County of Denver



TIMOTHY M. O'BRIEN, CPA
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AUDITOR'S LETTER

November 4, 2021

In keeping with generally accepted government auditing standards and Auditor's Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

In our follow-up effort for the "City Real Estate Portfolio Practices" audit report issued in May 2020, we determined the Finance Department's Real Estate Division did not implement six of the 10 recommendations it agreed to in the original audit report. Real Estate implemented only one recommendation and partially implemented three. Although Real Estate personnel disagreed with three other recommendations, we learned they took at least some action to address those concerns.

However, auditors determined the risks associated with the audit team's initial findings have not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure the city takes appropriate corrective action.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation.

I would like to express our sincere appreciation to the personnel in the Real Estate Division who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



City Real Estate Portfolio Practices

NOVEMBER 2021

Objective

To determine whether the Finance Department’s Real Estate Division is providing proper oversight of the city’s real estate activities, such as acquisitions, dispositions, leases, and space planning.

Background

The city’s Real Estate Division was established by Executive Order No. 100. The division – within the Department of Finance – is responsible for managing the city’s real estate portfolio through property acquisition and disposition, leases, and space planning.

Real Estate’s mission is “to be a consistently outstanding strategic, transparent, and accountable partner with the internal and external customers in the management, acquisition, and disposition of the city’s real estate assets.”

ORIGINAL REPORT HIGHLIGHTS

We identified controls and processes that needed improvement to promote efficient project management of the city’s real estate activities, as well as consistency and clarity of policies and procedures. Real Estate also needed to develop its own strategic plan and performance measures to evaluate the division’s success in managing the city’s real estate portfolio.

The Real Estate Division Did Not Properly Oversee the City’s Real Estate Portfolio

- Real Estate did not provide adequate project management of real estate activities. Specifically, we found inconsistent documentation in files, no comprehensive real estate portfolio, inconsistencies with policies and procedures compared to the city’s Executive Order No. 100, and a lack of details in policies and procedures for the processes employees should perform.
- Real Estate also lacked a documented strategic vision. The division did not have its own strategic plan or performance measures.

WHY THIS MATTERS

Having consistent and detailed policies and procedures, stronger project management and oversight, and a documented strategic vision and performance measures would help the division better manage the city’s real estate portfolio and plan for the city’s future real estate needs.



1

FULLY IMPLEMENTED



3

PARTIALLY IMPLEMENTED



6

NOT IMPLEMENTED



3

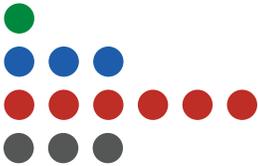
DISAGREED; NO FOLLOW-UP

Nov. 4, 2021

Action Since Audit Report

City Real Estate Portfolio Practices

13 recommendations proposed in May 2020



The Real Estate Division fully implemented only one recommendation it agreed to in the original audit report. Nine other recommendations have yet to be fully implemented or acted upon.

The division is now documenting transaction details and justification in project files, which increases transparency and the ability to pass on institutional knowledge. The division took steps to standardize its naming conventions for recent property files, which will help current and future staff locate files — but it did not rename files from before February 2020. Real Estate also developed a strategic plan, but we found it could use more detail.

While we found the division took steps to help mitigate some of the risks identified in the original audit — including those of the three recommendations the division disagreed to at the time, the recommendations the division did not fully implement present several lingering risks.

For example, the department is still not properly overseeing the city’s real estate portfolio. The spreadsheet that serves as the documented portfolio is incomplete and Real Estate does not share it with partner agencies, such as the Department of General Services. An accompanying interactive map on the division’s website also does not include all relevant details.

If Real Estate included all recommended information in both its portfolio and the interactive map, it would be better equipped to meet its mission to be consistent, transparent, and an accountable partner with “internal and external customers in the management, acquisition, and disposition of the city’s real estate assets.” The information could also help partner agencies meet the city’s future real estate needs as efficiently and economically as possible.

Finding | The Real Estate Division Is Not Properly Overseeing the City's Real Estate Portfolio

Recommendation 1.1



**NOT
IMPLEMENTED**

CENTRALIZE PROJECT MONITORING – The Real Estate Division should develop and implement a centralized tool to monitor space planning projects, including tracking milestones and delays.

AGENCY ACTION

Original target date for completion: Dec. 31, 2020

Real Estate Division staff explained that pandemic-related budget constraints in 2020 delayed implementation of the division's space planning software, Archibus, until funding could be approved in 2021.

Documentation confirms the division began discussions in March 2021 with JLL Technologies about the implementation and related costs associated with Archibus. In addition, documentation from the June 2021 meeting of the Denver City Council shows the council discussed and approved the purchase.

However, division managers continue to use the same spreadsheet they provided during the original audit to monitor and track space milestones and delays of planning projects. While the tracking spreadsheet contains project start and end dates, it does not contain specific information related to delays, which would provide a complete overview of a project's timeline for monitoring purposes.

Because the division is still relying on an incomplete spreadsheet and has not implemented a sufficient centralized tracking tool to monitor space planning projects, we consider this recommendation not implemented.

Recommendation 1.2



DISAGREED

DOCUMENT PROJECT DELAYS – The Real Estate Division should coordinate with other agencies that provide additional services for space planning projects to monitor delays. Communication and resolution should be documented for follow-up purposes.

AGENCY ACTION

While the Real Estate Division disagreed with this recommendation in the

original report, we learned during our follow-up work that the division has had some discussions with partner agencies about coordinating space planning projects.

These projects typically involve several agencies including the Department of Transportation & Infrastructure and the Department of General Services, along with the Real Estate Division. In our original audit report, we noted a lack of centralized project management to monitor the progress of projects and the activities of partner agencies.

During follow-up, we noted the same condition exists. For example, Real Estate's project flow document for managing and coordinating projects shows coordination begins with Real Estate, but when a project involves other partner agencies — such as Transportation & Infrastructure — the partner agency takes over coordination of the project.

Managers of the Real Estate Division said they often support partner agencies through memos or emails, but this process does not address the need for centralized project management to monitor project delays and milestones — especially when the division's project tracker is not adequate to monitor space planning projects as noted in the division's actions to implement Recommendation 1.1.

We also found Real Estate inconsistently communicates with its partner agencies. General Services staff told us the lack of early coordination on projects means General Services cannot sufficiently plan for proper maintenance of city property. General Services staff said early notification helps them address budget impacts and staffing resources early on.

They also said Real Estate inconsistently shares specific details of city-owned and leased properties that may otherwise help General Services determine impacts to its operations, specifically when budgeting for maintenance. General Services staff said late involvement in a real estate transaction could result in a lack of available funds to cover extra costs of maintenance that the agency could have planned for with earlier involvement.

Meanwhile, when we spoke to Transportation & Infrastructure management, we learned Real Estate's coordination with that department did improve in the past year. For example, Transportation & Infrastructure managers said Real Estate involves them earlier in the process to provide perspective on work that may be necessary for a particular space.

Consistent communication with all partner agencies would help ensure the city adequately plans the resources necessary for its real estate projects so that projects remain on track and within budget.

This was the Real Estate Division's response to the recommendation when the original report was issued in May 2020:

As documented in the flow chart developed with PEAK Academy, the space planning team already works closely

and meets regularly with the Division of Transportation and Infrastructure (DOTI) project managers, General Services, BMO, internal clients and stakeholders as well as others to not only monitor delays but to also effectively avoid and manage delays and balance them with others' expectations and budget realities. Space planning staff regularly communicate and coordinate with client agencies, as well as each other, and follow a unified, approach to project delays as a part of the project management process.

The Division agrees that, as the Project Management Institute states each project should have a defined lifecycle and milestones. As part of the separation of duties between the Division of Real Estate and DOTI, the responsibility to establish lifecycle and milestones rests with DOTI.

For the original report, we wrote the following addendum rebutting Real Estate's response:

We agree other agencies involved in space planning projects, such as the Department of Transportation & Infrastructure, are responsible for establishing their own milestones for completing their portions of a project. However, the Real Estate Division should still document projected milestones and the communication and coordination with those agencies regarding delays and resolutions to issues as they occur. Real Estate is the key division city agencies contact for space planning needs and the status of projects, and this practice would provide necessary project documentation in a central repository within the Real Estate Division. This can be documented in the central tool mentioned in Recommendation 1.1.

Recommendation 1.3



**NOT
IMPLEMENTED**

RETAIN MEETING AGENDAS – The Real Estate Division should retain agendas for each Interdepartmental Real Estate Committee meeting to track and monitor projects, milestones, and delays.

AGENCY ACTION

Original target date for completion: Jan. 1, 2020

The Interdepartmental Real Estate Committee meetings hosted by the Real Estate Division are meant to coordinate projects and related logistics among the division, the Mayor's Office, the Department of Transportation & Infrastructure, the Department of Finance, the Department of Parks and Recreation, the Department of Community Planning and Development, the

Department of Housing Stability, and the Department of Public Safety.

We requested a sample of three committee meeting agendas and only received the committee's agenda from its last meeting in February 2021. Real Estate Division management said the committee has held no meetings since February 2021 because the division had fewer projects due to pandemic-related budget constraints.

When we reviewed a list of transactions the division provided, we noted the last acquisition did occur in February 2021. However, four dispositions occurred between April and May 2021 and other transactions that could impact partnering agencies, such as leases, continued after February 2021.

While the agenda contained topics for discussion such as requests for expansions and strategic projects, it lacked details that would have allowed the Real Estate Division and other committee members to monitor project milestones and delays.

Real Estate management said during both our original and follow-up audits that the committee's agendas lack detailed information because of the sensitive and confidential nature of real estate transactions. While we acknowledged this concern for confidentiality in the original report, having greater documented detail of the items discussed would assist the division and other committee members in monitoring the progress of ongoing projects and in retaining institutional knowledge.

In lieu of the committee meetings, the division has held informal strategy meetings, which kept the various agency executives informed. We obtained and reviewed two agendas for these strategy meetings and noted both included more information than the committee's meeting agendas — such as updates and notes for monitoring projects and milestones. Real Estate management said in September 2021 these strategy meetings would end in October 2021 and that the monthly Interdepartmental Real Estate Committee meetings would resume.

Because of the limited documentation available for the committee meetings and because of the limited information contained in the one agenda we did receive, we consider this recommendation not implemented.

For this recommendation to be considered fully implemented, future agendas from committee meetings should include enough detail to track projects — similar to the notes for the informal strategy meetings — to avoid relying on the institutional knowledge of a few personnel. In addition, as noted in the original report, retaining notes from each meeting will assist the division in monitoring both the items discussed and the ongoing actions for each project.

Recommendation 1.4



**FULLY
IMPLEMENTED**

DOCUMENT TRANSACTION DETAILS AND JUSTIFICATION – The Real Estate Division should include memoranda in property files to document transaction details and justification to ensure institutional knowledge is retained.

AGENCY ACTION

Original target date for completion: Dec. 12, 2019

We obtained the memoranda for five randomly selected property files out of 135 property transactions that occurred between March 1, 2020, and May 31, 2021, and we found the Real Estate Division did include a memo in each property file. We also found each memo included transaction details about each property that would contribute to ensuring institutional knowledge is retained.

The memos we reviewed included justification for the property acquisition or disposition, including whether a City Council member requested the property or whether the property helped achieve the city’s goals as part of a master plan. Including this analysis to support justification for decisions increases transparency and the ability to pass on institutional knowledge.

As a result, we consider this recommendation fully implemented.

Recommendation 1.5



**NOT
IMPLEMENTED**

STANDARDIZE PROPERTY FILE DOCUMENTATION – The Real Estate Division should standardize the retention requirements for property file documentation, and it should develop a property file checklist that includes all documents to be retained in each file. The checklist should also include comments to note exceptions to documentation retention requirements.

AGENCY ACTION

Original target date for completion: Feb. 13, 2020

The Real Estate Division developed property file checklists for acquisitions and dispositions. However, when we requested the checklists for five randomly selected properties out of 135 property transactions that occurred between March 1, 2020, and May 31, 2021, we found two of the five property files did not include a checklist.

The three other checklists lacked comments for some items and justification for exceptions. In addition, only one checklist mentioned a completed memorandum to document transaction details and justifications as referenced in Recommendation 1.4.

Without a completed property file checklist, documentation may be inconsistently retained across projects, which may lead to noncompliance with procedures and the possible loss of institutional knowledge and historical property information.

Because of the inconsistency with both the implementation of the checklists and their completion, we consider this recommendation not implemented. For this recommendation to be considered fully implemented, the division would need to include the checklist in all property files and use it for all property files.

Recommendation 1.6

STANDARDIZE DATA ENTRY – The Real Estate Division should establish a standardized data-entry and file-naming convention for real estate transactions across all methods of retaining documentation.



**PARTIALLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Feb. 12, 2020

The Real Estate Division established a documented policy and created a standardized naming convention for its property files. To determine whether the division properly implemented this established naming convention, we reviewed documentation for six judgmentally selected Real Estate projects.

Overall, we found project folders and documents complied with the division's naming convention policy – although the division did not rename files from before the implementation date of February 2020. Division management said renaming older files would be too time consuming. While changes may be time consuming, consistent implementation of the division's file naming convention would help ensure current and future staff locate documents for all property files.

Because the department did not rename files from before February 2020, we consider this recommendation only partially implemented.

Recommendation 1.7



DISAGREED

ESTABLISH DOCUMENT RETENTION POLICY – The Real Estate Division should establish and document a records retention policy to ensure compliance with the city’s records management policy and records retention schedule.

AGENCY ACTION

While the Real Estate Division disagreed with this recommendation in the original report, we learned the division did add a statement to its policies and procedures noting the division adheres to the city’s records retention schedule. However, the division’s policies and procedures still do not detail the division’s process for ensuring it complies with the city’s records management policy and records retention schedule.

Division management said this added reference is the division’s only policy related to ensuring compliance with the citywide standards. Without having the division’s own documented policy and procedure, key Real Estate staff may not have an established understanding of how to manage records retention tasks and the time frames involved.

This was the Real Estate Division’s response to the recommendation when the original report was issued in May 2020:

The Division follows the city’s retention policy and works closely with the City’s Records Retention Manager to ensure compliance. Additionally, the city follows federal right of way guidelines for permanently maintaining federally funded right of way records.

For the original report, we wrote the following addendum rebutting Real Estate’s response:

While the division says in its response it follows the city’s retention policy and federal right of way guidelines for permanently maintaining federally funded right of way records, the division’s procedures do not outline specific details related to how the division maintains compliance.

For example, the city’s retention policy states sale and acquisition records must be retained six years after disposition of property. In addition, supporting documentation for easements and right of way should be permanently retained. However, the division’s policies do not include details related to the process of how they will adhere to these requirements.

As stated in the [original] report, the division’s policies state records of contracts and deeds documenting real estate activities “shall be preserved” by the division as “deemed

appropriate by the city’s record manager.” In addition, the division “shall maintain copies of management, concession, lease, or use agreements related to city-owned property.” Although Real Estate’s policies may include references to maintaining specific types of records, they still lack details regarding who is responsible for managing these tasks and the time frames involved.

Internal policies and procedures detailing how city and federal guidelines are implemented and specific time frames of retaining various records help ensure consistency throughout the division as well as compliance with requirements.

Recommendation 1.8

DEVELOP AND MAINTAIN COMPREHENSIVE REAL ESTATE PORTFOLIO –

The Real Estate Division should develop and maintain a comprehensive real estate portfolio. Information in the portfolio should include but not be limited to:

- Date of acquisition or disposition.
- Leases.
- Managing agency.
- Acquisition or disposition price.
- Reason for acquisition or disposition.
- Total acreage or square footage.
- Occupied square footage.
- Approving ordinance or resolution.



DISAGREED

AGENCY ACTION

While the Real Estate Division disagreed with this recommendation in the original report, we learned the division did take steps to develop and maintain a real estate portfolio.

The division developed a spreadsheet to serve as its portfolio, which it uses to track city property — including city-owned property, leased property, vacant land, and parks. Information in the spreadsheet includes a facility’s name, address, use, building square footage, year of construction, and zoning.

The division also added an interactive map on its website, which shows the location of specific parcels and buildings in the city. We reviewed the spreadsheet and the website and found both contained the same

information — but the information is incomplete. For example, neither the spreadsheet nor the website include the date of acquisition or disposition, the price, the reason for acquisition or disposition, the occupied square footage, or the approving ordinance or resolution.

Division management said the spreadsheet and website information, such as the occupied square footage, will be updated annually and as transactions occur. But without a documented comprehensive real estate portfolio that contains all necessary information, the division cannot be assured its actions are in the best interest of the city.

When we spoke to the Department of General Services regarding Real Estate’s project coordination related to its efforts to implement Recommendation 1.2, General Services leaders said they would benefit from having access to Real Estate’s portfolio to help with their budget decisions. Details General Services staff said they would find beneficial include the address; the basic floor plan; the occupying agency; the occupied square footage; the total square footage; and whether a property is leased, lease-to-own, or owned.

As of our follow-up, General Services did not have this access — meaning General Services staff must continue to do their own research of city property. This wastes taxpayer money and city resources.

This was the Real Estate Division’s response to the recommendation when the original report was issued in May 2020:

The Division disagrees with this recommendation. The Division has previously established and continuously updates comprehensive portfolio information through a variety of databases and reports. As reflected in the report, the Division tracks critical assets and maintains portfolio reports, tracks income and expense leases, city owned buildings, city owned vacant land and other portfolio data that incorporate information from the Assessor’s and Clerk and Recorder’s Offices. These reports were provided to the Auditor.

The Audit Report refers to other cities’ methods of portfolio information tracking, acknowledging that there are varied methods by which cities can track portfolio information, including “an internal database.” However, none of the examples provided by the Auditor of portfolio tracking performed by other cities uses the specific set of information called for in this recommendation. The information set called for is already tracked. The requested information already resides in city systems, especially in data tracked and maintained by the Assessor and the Clerk and Recorder. The Division has always maintained, accessed and used the information included in this recommendation, including maps of city owned facilities by council district and other tracking tools not identified by the Auditor. The Division

already provides maps directly to council members including interactive maps showing city owned facilities and city owned vacant land by council district. Therefore, the Division disagrees with the conclusion that the Division has not developed or maintained a comprehensive real estate portfolio.

However, the Division agrees that the information it maintained should be more publicly available and provided in a user-friendly, accessible format. The Division and Technology Services have already initiated a project to add real estate information to the Division's denvergov.org web page in a fully integrated MapIt approach.

For the original report, we wrote the following addendum rebutting Real Estate's response:

As described in the [original] report and as acknowledged by the Real Estate Division in its response, the Real Estate Division tracks information in disparate systems — not in a centralized, comprehensive real estate portfolio of city-owned and leased properties. This means that to conduct real estate processes, Real Estate staff may need to refer to multiple systems including Assessor's Office data and multiple spreadsheets or handwritten cards.

Auditors requested a “description of information systems that record data on real estate acquisition, disposition, exchange, leasing, programming and use activities” from Real Estate in September 2019, when the audit was initiated. Requests also included a list of open and closed transactions for 2018 and 2019, a list of vacant/surplus properties, and a list of city-leased properties (i.e., income and expense leases). We received the following:

- A vacant/surplus property list obtained from the Assessor's Office during Real Estate's review for affordable housing.
- Open and closed transactions compiled from the deeds database and individual, working spreadsheets.
- Income and expense lease information from working lease tracking spreadsheets.
- A copy of the deeds database containing transactions from 2018 and 2019.

When we reviewed the information provided, we found the property information did not contain fields for certain important details, such as occupied square footage, and that information across the spreadsheets from the different sources of information was difficult to reconcile because of

different naming conventions.

Throughout the audit and during several interviews, Real Estate personnel told auditors the division relies on a combination of the city's geographic information system, working spreadsheets, and data from the Assessor's Office to obtain a comprehensive list of city-owned property. Division personnel also said they do not often know the city even owns a parcel until someone brings it to their attention. Division management said that because the Assessor's Office maintains records of all property owned in the city and not just property owned by the City and County of Denver, the list of properties received from the Assessor's Office is comprehensive. However, this information does not include specific data such as reason for acquisition or disposition of property, occupied space of various city-owned buildings, and ordinances or resolutions that would be necessary for a comprehensive portfolio.

Further, the "maps of city owned facilities by council district and other tracking tools not identified by the Auditor" mentioned in the division's response were not provided to auditors in response to requests during the audit and were not provided until after the division had received a copy of the draft report and after auditors met with Real Estate personnel for the exit conference meeting on April 8 after audit work had concluded. A "master list" of city-owned properties in Excel was also provided after the exit conference, with a file creation date of Jan. 15, 2020. Because we received these documents after audit work concluded, auditors were unable to validate the information or determine how Real Estate ensures the data is accurate.

However, when we compared the information on the new "master list" to information we received during the audit, we found the format was different and contained different information. In addition, the new "master list" did not contain information such as occupied square footage or acquired date. While total acreage or square footage may be maintained by the Assessor's Office, it should be maintained and updated by Real Estate in its comprehensive portfolio. The information should be coupled with occupied square footage to manage information such as vacancy rates of city-owned buildings.

It should also be noted that auditors discussed the need for a comprehensive portfolio during a status update meeting with Real Estate management on Jan. 21, 2020; however, these additional tools Real Estate provided in April were not mentioned nor provided at that time either.

The division's statement that none of the examples provided in the Appendix of [the original] report use the specific set of information stated in the recommendation is not accurate. In fact, the following attributes listed can be found on page 48 of the [original] report:

- Date of acquisition or disposition – Dallas.
- Managing agency – San Diego.
- Acquisition of disposition price – Dallas.
- Reason for acquisition or disposition – Dallas.
- Approving ordinance or resolution – Dallas.

While methods vary among the cities we surveyed, all real estate organizations that responded retain a type of centralized, comprehensive real estate inventory – meaning real estate data is available within a single system maintained by each city's respective real estate function.

Auditors recommended fields for the Real Estate Division to use based on the division's processes. The division is not limited to these fields and may include additional fields as needed.

Recommendation 1.9

CLARIFY CLEARANCE AND RELEASE POLICY – The Real Estate Division should review the clearance and release requirements in Executive Order No. 100's Memorandum 100B and ensure division policies and procedures are consistent with the executive order – specifically that Memorandum 100B does not include a statement regarding an automatic approval after 15 days with no response.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Feb. 20, 2020

The Real Estate Division updated the clearance and release policies and procedures; however, the update resulted in contradictory information regarding automatic approvals after 15 days with no response.

One section of the division's policies and procedures said when no response is received, "it is not deemed approved," but then it also said later that "consistent with the Department of Transportation & Infrastructure and ACCELA process, non-response is assumed to mean approved." The clearance and release requirements in Executive Order No. 100's Memorandum 100B do not mention any automatic approval after 15 days with no response.

We compared the supporting documentation for a random sample of five of nine clearance and release parcels between July 2020 and July 2021 to the requirements outlined in Real Estate’s procedure, and we found the division did obtain written approval for each parcel and it did not automatically give approval after 15 days with no response.

However, because the division’s policies and procedures still do not align with Executive Order No. 100’s Memorandum 100B and because they include contradicting information regarding automatic approvals after 15 days with no response, we consider this recommendation not implemented.

Recommendation 1.10

FORMALIZE REPORTING WITH CONTROLLER’S OFFICE – The Real Estate Division should work with the Controller’s Office to formalize and document reporting requirements – including the frequency of reporting and the method of communication. Requirements should specify the points of information for each property necessary for accurate reporting by the Controller’s Office.



**NOT
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: June 30, 2020

We found the Real Estate Division adequately reports acquisitions and dispositions to the Controller’s Office. According to the division’s policies and procedures, the Controller’s Office must be notified once the city acquires or disposes of a property. However, the policies and procedures do not contain information on when the Controller’s Office needs to be notified of a transaction or the information to include in the notification for accurate reporting.

We analyzed three emails the division sent to the Controller’s Office in 2021 and found the division was notifying the Controller’s Office of acquisition and disposition transactions. But the notifications were not sent to the Controller’s Office until a month or several months after a transaction had occurred. Timely notification by Real Estate would help the Controller’s Office add the transaction details to city financial records in the correct reporting period – further ensuring the city’s financial information is complete and accurate.

Furthermore, both Real Estate and the Controller’s Office agree transaction notifications need to include the property name, date, and transaction amount. However, the division’s policies and procedures do not establish this requirement. Not having a documented process for regularly and consistently reporting real estate inventory to the Controller’s Office may result in inaccurate financial reporting and a potential over- or understatement of capital assets.

Although the division notifies the Controller’s Office after each transaction, the division’s policies and procedures should include the information required in each notification and when a notification needs to be sent to help ensure accurate and timely reporting to the Controller’s Office. Therefore, we consider this recommendation not implemented.

Recommendation 1.11

REGULARLY REVIEW POLICIES AND PROCEDURES – The Real Estate Division should implement a formal process to regularly review and update the division’s policies and procedures. This should include ensuring policies and procedures are consistent with Executive Order No. 100 and include changes as Archibus is implemented for the space planning team. The policies and procedures should also contain adequate detail of the division’s role performed for various transactions, including those not initiated by the division.



**PARTIALLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: May 31, 2020

Since the original audit, the Real Estate Division updated its policies and procedures to include a quarterly review, but the policies and procedures do not thoroughly explain the review process. Division managers said they continuously update the policies and procedures using the track changes function in Microsoft Word. In addition, managers said they and the contract administrator ensure consistency with Executive Order No. 100.

We reviewed and compared the division’s policies and procedures to the executive order and found the policies and procedures generally aligned with one another and they provided adequate detail of the division’s role in various transactions – such as acquisitions, dispositions, and exchanging of real property leases. The one exception was the clearance and release policy discussed in Recommendation 1.9.

In addition, we compared two versions of the division’s policies and procedures to ensure they complied with the division’s review process. We found that since the previous version, the division added additional information to the current April 2021 version of the policies and procedures. But it was unclear when certain changes were made between the versions since all track changes reflected dates only after the April 2021 version was implemented. In addition, there was no indication of who reviewed and approved the changes to the current version, and we have no assurance the division conducts the reviews each quarter.

Because of this, we consider this recommendation only partially implemented. To ensure better transparency, the division should include more details about the review process in its policies and procedures and it

should implement a spreadsheet to track and date all changes and updates made to the policies and procedures during the quarterly reviews.

Recommendation 1.12

DEVELOP AND IMPLEMENT STRATEGIC PLAN – The Real Estate Division should develop and implement a strategic plan to ensure the city’s real estate needs can be anticipated and addressed, in accordance with the division’s stated purpose under Executive Order No. 100. The division should consider using examples from other cities’ real estate organizations.



**PARTIALLY
IMPLEMENTED**

AGENCY ACTION

Original target date for completion: Dec. 31, 2020

The division developed a documented strategic plan that includes basic elements – such as a vision, principles, identification of the city’s real estate needs, and plans to address those needs. But the division could expand on a few sections of the plan. For example, the Real Estate Division’s portfolio lacked detailed information about property value assessments, annual operating costs, and capital and development costs.

In line with Recommendation 1.13, the division’s strategic plan includes key performance measures – such as the land acquired, the land sold, the land leased for affordable housing opportunities, improved and acquired shelters and park spaces, realized revenue, and customer service surveys. However, we found the division’s performance measures do not align with other cities’ real estate organizations and they lacked key elements including fiscal sustainability, realized savings, and collaboration and engagement efforts. These types of performance measures help city real estate divisions measure their success in meeting the needs of their city.

While the division developed and implemented a strategic plan, the division could improve its strategic plan by incorporating more performance measures and by making the plan accessible to the public on the division’s website to ensure transparency and justification for the decisions it makes. Therefore, we consider this recommendation only partially implemented.

Recommendation 1.13



**NOT
IMPLEMENTED**

IMPLEMENT AND MONITOR PERFORMANCE MEASURES – The Real Estate Division should develop and track performance measures to evaluate the division’s success and ensure these performance measures align with the division’s strategic plan, as implemented under Recommendation 1.12. The Real Estate Division should consider using best practices and examples from other cities’ real estate organizations.

AGENCY ACTION

Original target date for completion: Dec. 31, 2020

When we compared the Real Estate Division’s performance measures to other cities’ real estate organizations’ performance measures, we found the division lacked more quantitative performance measures as outlined in the original audit report – such as:

- The number of properties reviewed for potential disposition each year.
- The percentage of appraisals completed and real estate transactions processed on time.
- The assessed property value.
- The amount of space added.
- The annual operating, capital, and development costs.

In lieu of developing more quantitative performance measures, the division reinstated customer satisfaction surveys to gauge consistency with its strategic goals. We found the surveys focused on the service provided by only one staff member – not the whole division. In addition, division managers did not establish response rates or success rates, and they rely only on negative responses to indicate dissatisfaction or areas for improvement.

By the time of our follow-up, the division had not received any negative responses, so the division made no improvements. The division should consider adding a section to its customer satisfaction survey to address the division’s collaborative efforts with other agencies – particularly how well the division manages a project and communicates with each agency throughout the project – to provide a more well-rounded evaluation of how the division can improve overall.

Because the division is not effectively evaluating its success toward meeting its strategic goals, we consider this recommendation not implemented.

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