

## EXECUTIVE DIGEST

# REAL ESTATE DIVISION

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INTRODUCTION	This report, issued in June 2002, contains the results of our performance audit* of the Real Estate Division (RED), Department of Management and Budget (DMB).
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.
BACKGROUND	RED reports to the DMB deputy director. RED's mission is to provide real estate services to State agencies. RED is responsible for securing and administering leased space for departments, acquiring and disposing of land, granting and purchasing easements, and leasing and administering State land and facilities to private tenants.  RED had expenditures of \$1.2 million for fiscal year 2000-01 and 14 employees as of September 30, 2001.
AUDIT OBJECTIVE AND CONCLUSION	<b>Audit Objective:</b> To assess the effectiveness and efficiency of RED's administration of the sale and purchase of property, the granting and purchase of easements, and the leasing of commercial and State-owned property.

**Conclusion:** We concluded that RED's administration of the sale and purchase of property, the granting and purchase of easements, and the leasing of commercial and State-owned property was generally effective and efficient. However, we noted one material condition\*:

- RED did not follow established policies and procedures when it entered into a sales agreement with a private company to sell State surplus property adjacent to the Michigan State fairgrounds (Finding 1).

We also noted reportable conditions\* relating to the lease of State property, bid evaluations and recommendations, the monitoring of leases of State-owned property, public purpose sale criteria, and lease data (Findings 2 through 6).

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the Real Estate Division. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures included an examination of RED's records and activities covering the period October 1, 1998 through September 30, 2001.

We conducted a preliminary review that consisted of interviewing management and program staff and reviewing legislation, the DMB Administrative Guide, the Legislature's Joint Capital Outlay Subcommittee policies, RED policies and procedures, and other RED reports and manuals. The purpose of the preliminary review was to

obtain an understanding of RED operations and to plan our audit.

We tested internal control and procedures performed relating to the sale and purchase of property, leasing of property, and the granting of easements. We obtained sale, purchase, and lease data from individual transaction files and analyzed the timeliness of services performed; whether the services were performed in accordance with existing policies, procedures, laws, and regulations; and whether the services performed were efficient. We reviewed oversight responsibilities delegated to RED. We reviewed policies and procedures from various other states' web sites to help assess RED's effectiveness and efficiency.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report includes 6 findings and corresponding recommendations. DMB's preliminary response indicated that it will consider the recommendations.

RED did not comply with the 2 prior audit recommendations. Both prior audit recommendations were rewritten for inclusion in this report.