

Highlights

Why We Did This Audit

General Services leases real estate the city owns but is not using to third parties. During fiscal year 2014, these leases generated approximately \$1.3 million in revenue to the city. Failing to effectively manage these leases may result in the city not realizing revenues and services beneficial to the city and may also increase costs and liabilities.

Our audit work focused on whether General Services is effectively managing the city's leasable real estate assets.

Background

General Services is responsible for managing the city's real estate assets including buildings, land, and antenna sites. Currently, the department manages approximately 50 property leases. Uses of leased property include city warehouses, antenna sites, meeting space, parking lots, and farmland.

For more information, contact the City Auditor's Office at 816-513-3300 or auditor@kcmo.org.

To view the complete report, go to <http://kcmo.gov/cityauditor> and click on Search Audit Reports.

PERFORMANCE AUDIT

Leasing City-Owned Property

What We Found

The city needs a subsidized lease policy. The city leases some of its properties at below market rent but does not have a policy for evaluating and reporting on below market rent leases. A policy would help ensure lease subsidies are supporting city goals as well as provide transparency to the process. General Services also needs additional written procedures for the leasing program to guide employees in performing their duties.

General Services has been unable to market and lease some city-owned antenna sites to wireless communication providers due to lack of technical expertise. Before the department can lease an antenna site, it must be assessed for possible signal interference with other antennas at a location and weight limits if mounted on a tower. General Services should identify the best method for obtaining expertise needed to evaluate site viability.

General Services' needs improved lease data. Staff did not always record lease payment information, lease property addresses, and lease expiration dates accurately. When data is not accurate, General Services' ability to manage, analyze, and track leases is impaired. General Services could also improve lease management efficiency by adding an insurance data field and by programming additional automatic date reminders in the lease database.

General Services needs to improve rent collection practices and rental calculation. Staff did not follow the city policy of contacting past due lessees every 30 days. In addition, when payments were received, staff did not consistently apply the payment to the oldest debt first. Both practices would help ensure the effectiveness of collection efforts. Staff incorrectly calculated some annual Consumer Price Index rent increases.

General Services did not obtain council approval before entering into a lease amendment and did not notify council for another lease as required by city code. As of February 2015, General Services did not have the required certificates of insurance for 18 of 52 of the leases it managed.

What We Recommend

Our recommendations are directed towards:

- Improving the efficiency, effectiveness, and transparency of the lease program.
- Providing proper oversight of lease approvals and improving tools for lease management.
- Increasing lease revenues and protecting the city's financial interest.

Management agreed with the recommendations.