



092872

00375

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

SEP 15 1971



LM092872

Dear Mr. Starobin:

We have made a limited review to determine whether the Department of General Services was effectively managing the District of Columbia's landholdings which, according to the June 30, 1970, financial statements of the District, were valued at \$40 million.

We reviewed the Department of General Services' policies and procedures with respect to its management control of land, examined inventory records maintained by the Department, and viewed selected parcels of land to verify the accuracy of these records. In addition, we examined that section of the District of Columbia's financial statements pertaining to its landholdings to determine whether these statements were in agreement with inventory records.

We believe there is a need for improved procedures and controls to insure that the District's landholdings are properly managed. Specifically, effective procedures and controls are needed to assure that (1) inventory records are accurate, (2) landholdings are reviewed periodically, and (3) financial statements include accurate information on property resources.

These matters are discussed more fully below.

NEED FOR ACCURATE
INVENTORY RECORDS

Inventory records of landholdings must be accurate if they are to be of maximum assistance to management in the procurement, utilization, transfer and disposal of property. We found that the inventory records maintained by the Department of General Services were inaccurate.

Perpetual inventory records of real property owned, controlled, or under the jurisdiction of the District of Columbia are maintained by the Research and Documentation Branch, Department of General Services. The inventory records contain a brief description of the property, including property identification numbers and information as to whether the property is vacant or has been improved.

At the time of our review, about 2,600 District-owned properties were listed in the inventory. We found that about 460 of these properties should have been deleted from the inventory because they were no longer

092872

74557

available for use. For example, properties designated as lots 37 through 39 in square 352 should have been deleted from the inventory because they have been a part of 11th Street, SW., since about March 1969. We also found that about 150 properties were listed in the inventory under erroneous identification numbers.

Our visual inspection of selected landholdings disclosed other instances of inaccurate inventory records. For example, two properties were listed in the inventory as being vacant when, in fact, both properties had been improved and were being used. These properties were the site of the Seaton Elementary School building and a firehouse for Engine Company No. 15. Both the school and the firehouse were constructed in 1969.

We also found that two District-owned properties were not included in the Department's inventory listing. These properties were the sites of the Grant Elementary School built in 1882 and the Garfield Elementary School built in 1909.

In our opinion, many of the inaccuracies in inventory records were caused by clerical errors. Members of your staff informed us that the inventory listings were prepared by inexperienced personnel working on a temporary basis. As far as we could determine, the Department does not have formal written procedures to guide personnel in the preparation, maintenance, and verification of inventories. Moreover, the Department does not have written procedures requiring the submission of changes in the status of landholdings to those responsible for maintaining inventory records.

We were informed that a program had been initiated to correct and update the Department's inventory and that landholdings will be visually inspected when possible. We were also informed that one employee has been given the responsibility for maintaining an accurate, up-to-date inventory.

Although these are steps in the right direction, we believe formal procedures and controls are needed within the Department to assure that accurate inventory records are maintained and contain information of maximum benefit to management.

Recommendation

We recommend that you establish written procedures governing the preparation, maintenance, and verification of inventory records. These procedures should provide, among other things, that:

- specific information necessary for proper management be maintained in the inventory records, and
- changes in the status of landholdings be effectively communicated to all personnel responsible for maintaining records of landholdings.

NEED FOR PERIODIC REVIEW
OF LANDHOLDINGS

Effective management of real property cannot be achieved without the systematic and thorough review of property holdings to identify unneeded or uneconomically used properties. We found that the Department of General Services had not established procedures for periodically reviewing District landholdings to ascertain which properties were no longer needed or for offering unneeded land for sale. Generally, the Department offers to sell land it no longer needs only when an interest is expressed by a potential buyer. Failure to offer to sell unneeded land at the earliest opportunity can result in a loss of sales and tax revenues to the District.

During our review, we visually inspected 56 sites. Of the sites inspected, 16 were vacant and appeared salable. The inventory records for these 16 properties did not indicate an intention to use or to dispose of the properties.

We requested the Department's views on the salability of these 16 vacant sites. We were advised that only one site, with an assessed value of about \$75,000, was no longer needed and would be offered for sale. Department officials provided us with what appeared to be valid reasons for not placing the other sites on the market. For example, one large parcel of land was to be transferred to the Washington Metropolitan Area Transit Authority. Department officials pointed out also that a number of other sites were of such a size or shape as to make them unmarketable.

The Office of Management and Budget Circular No. A-2, revised, provides guidelines to Federal agencies that include a requirement for periodic reviews to identify land that is no longer needed. While the circular is not applicable to the District, we believe that the Department's management of land can be improved by the adoption of this principle.

We discussed the need for periodic reviews of landholdings with a member of your staff, who was of the opinion that the adverse effects of not reviewing landholdings for salability (as disclosed by our limited review) are not significant enough to warrant corrective action. He gave us no indication that any action would be taken.

Recommendation

We recommend that you establish procedures for periodically reviewing the District's landholdings to assure that properties no longer needed are identified and offered for sale.

FINANCIAL STATEMENTS HAVE
BEEN INACCURATE

To be of use to management in exercising financial control over its resources and of use to the Congress, the data presented in the District's financial statements must be accurate.

We found that in fiscal year 1970 the District had acquired land valued in excess of \$7 million and had disposed of land valued at about \$500,000. We also found that the District had acquired and disposed of land in fiscal year 1969. Despite substantial changes in the District's landholdings, the District's financial statements for fiscal years 1968, 1969, and 1970 consistently showed landholdings valued at \$39,759,298.

The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies requires accurate and reliable financial information on property resources for use by management and for financial reports. In addition, we believe good management practices require that financial records be reconciled periodically with inventory records.

We found that the District's financial statements were inaccurate because procedures for transmitting information to the Department of Finance and Revenue on the acquisition and sales of land had not been followed. Furthermore, financial records were not reconciled with inventory records.

This matter was brought to the attention of a District official and we were advised that, starting with the financial statements for fiscal year 1972, changes in the District's landholdings will be appropriately reflected in the District's financial statements. We believe, however, that more positive steps should be taken to avoid recurrence of this situation and that appropriate controls should be developed to assure that financial records are in agreement with inventory records.

Recommendations

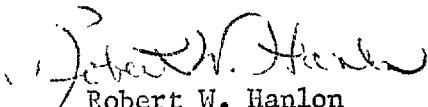
We recommend that the existing procedures for reporting changes in inventory of landholdings to the Department of Finance and Revenue be brought to the attention of personnel responsible for transmitting this information. We also recommend that financial records be reconciled periodically with inventory records.

- - - -

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review. Copies of this report are being sent to the District's Director, Department of Finance and Revenue; Associate Director, Municipal Audits; and Director, Office of Budget and Executive Management.

We shall appreciate your comments and advice as to any action taken or planned on the matters discussed in this report.

Sincerely yours,


Robert W. Hanlon
Acting Regional Manager

Mr. Sam D. Starobin, Director
Department of General Services
District of Columbia Government

CWG 00106