

**Prince George's County, Maryland
Office of Audits and Investigations**

Office of Central Services

Surplus Real Property Disposal Process

November 2014



**David H. Van Dyke
County Auditor**

TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal	
Surplus Real Property Disposal Process Report.....	2-13
Agency Responses.....	14-17

November 2014

The County Council and County Executive
of Prince George's County, Maryland

We have conducted a performance audit of the

**OFFICE OF CENTRAL SERVICES' SURPLUS REAL PROPERTY
DISPOSAL PROCESS**

in accordance with the requirements of Article III, Section 313, of the Charter for Prince
George's County, Maryland. Our Report is submitted herewith.

We have discussed the contents of this Report with appropriate personnel of the
Office of Central Services and wish to express our sincere gratitude to them for the
cooperation and assistance extended to us during the course of this engagement.



David H. Van Dyke, CPA
County Auditor



Turkessa M. Green, CPA
Audit Manager



Alicia C. Stanford
Auditor

Results In Brief

The Land Acquisition and Real Property Division (Division) of the Office of Central Services oversees and manages all County-owned property, including the disposal of real property no longer needed by the County. The Division is also responsible for all County leases and subleases.

Between FY 2009 and FY 2013, the County Executive declared 126 parcels of real properties with a total assessed value of \$110,517,378 as surplus. Of that total, \$94,509,882 (or 85.5%) in real property was 'proposed for sale'. As of the end of our fieldwork (March 18th, 2014), 30 properties (23.8%) were disposed of.

Based on risks associated with ensuring real surplus property is being adequately managed and disposed of in a manner that protects the interest of the County, our office conducted an audit of the Office of Central Services' surplus real property disposal process and internal controls surrounding this procedure.

The following major findings are addressed in our report:

- There are no written standard operating procedures in place to guide the Division staff in conducting day-to-day activities related to the surplus real property disposal process.
- The Division does not maintain adequate records of surplus real property disposal transactions.
- The untimely disposal of surplus real property resulted in low turnover of properties no longer being utilized by the County.
- The Division does not deposit earnest money checks in a timely manner and does not place funds in escrow, as stipulated by the sales contracts.

Internal control activities are an important part of an agency's ongoing planning, implementation, and review of programs and services. They are essential for effective and efficient operations, and proper accountability of County resources. Hence, several recommendations for improving internal controls are made throughout this report.

Background

The Land Acquisition and Real Property Division's objective is to manage the County's real estate acquisitions, sales, leases, and legislative needs in an effective and efficient manner while building relationships that promote teamwork and exemplary customer service. The Division performs a wide range of services to implement these goals and objectives including:

- Lease Negotiations and Management
- Property Acquisitions
- Surplus Property Inventory Management
- Surplus Property Maintenance
- Surplus Property Disposal
- Real Property Contract Management

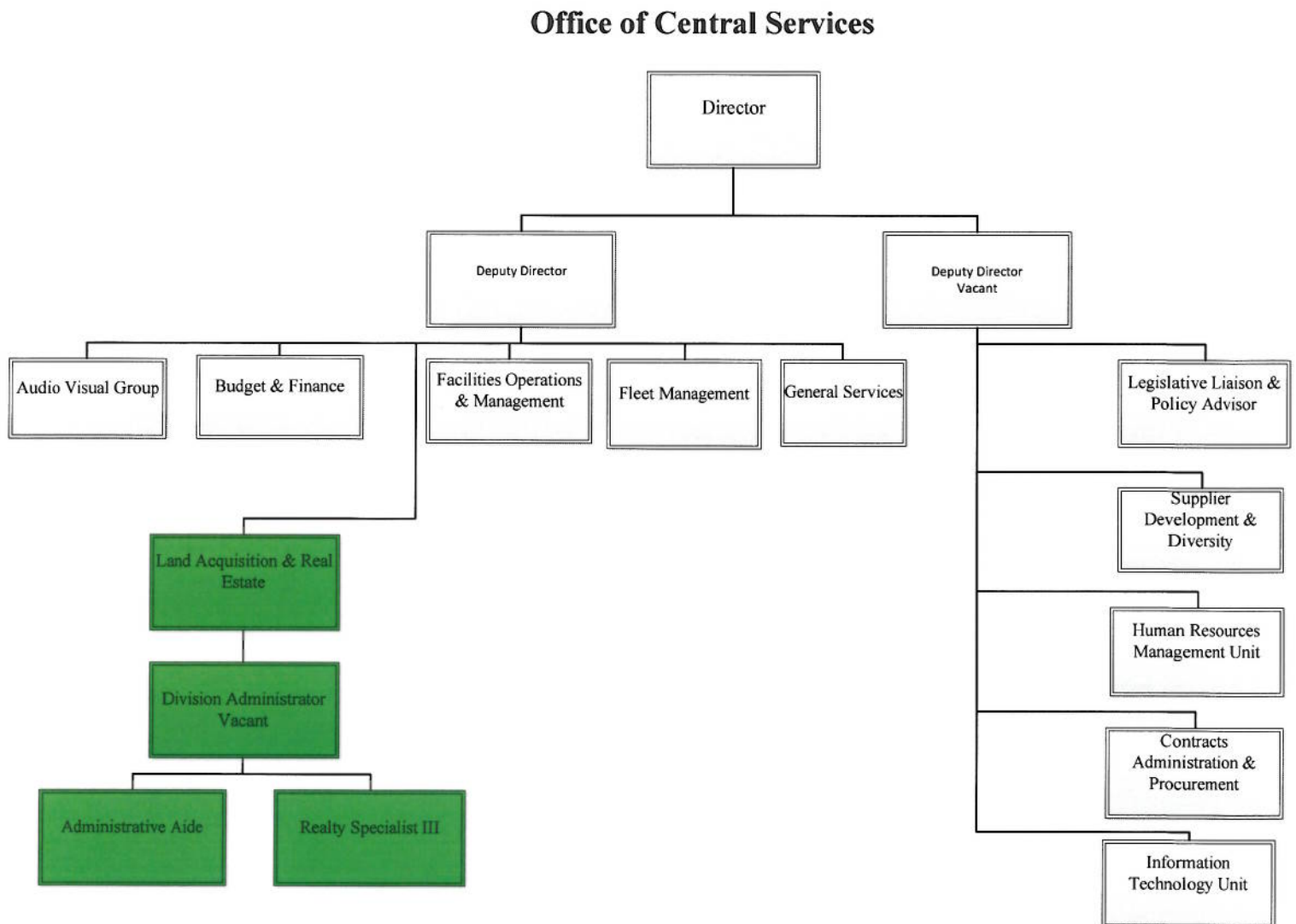
County surplus property is governed by the County Code Section 2-111.01 which authorizes the County Executive to sell, lease, or otherwise dispose of any County-owned real property, when such property is no longer needed for County use or when the proposed disposition is in furtherance of a public purpose.

The Division identifies three (3) major benefits for the County to dispose of surplus real property:

1. It eliminates the maintenance responsibility for the County;
2. It creates a potential for sales revenue; and
3. It increases the tax base.

The Land Acquisition and Real Property Division currently consists of two staff members, a Senior Realty Specialist III and an Administrative Aide, who report directly to the Deputy Director. On occasion, the Division will solicit temporary contractual services to assist the Division with managing the County's real estate acquisitions, sales, and leases.

Below is an organizational chart for the Office of Central Services, which includes a more detailed presentation of the Land Acquisition and Real Property Division (as of August 2013):



The County's surplus real property inventory fluctuates considerably from year to year. The amount and total assessed value of surplus property is driven by numerous factors, including the amount of outside inquiries submitted to the Division, construction projects and development in the different Councilmanic Districts, and current needs of the residents, agencies, and Bi-County agencies. The following is a summary of surplus real property activity for the past five fiscal years:

**Note: no properties were declared as surplus during FY 2010*

Fiscal Year	<u>Total Assessed Surplus Property</u>	<u>#</u>
	<u>Value</u>	<u>Properties</u>
FY09	\$ 1,349,798	52
FY10	\$ -	0*
FY11	\$ 6,835,300	5
FY12	\$ 87,914,000	8
FY13	\$ 14,418,280	61

Objective, Scope, & Methodology

The purpose of this audit was to (1) assess the adequacy and performance of designed control activities related to the management and disposal of surplus real property; (2) determine adherence to applicable laws, regulations, and internal policies and procedures; and (3) identify factors inhibiting satisfactory performance and recommend corrective action.

To conduct this audit we interviewed Land Acquisition and Real Property Division personnel involved in the surplus real property management and disposal process to gain a full understanding of the process. We then compiled a comprehensive listing of all real property declared as surplus (126 real properties) by Prince George's County from FY 2009 through FY 2013 and selected a judgmental sample of 54 surplus real properties for testing (35 'proposed for sale', 17 'no consideration transfers', and 2 'leased' properties). For the sample selected, we reviewed supporting documentation to test the surplus real property disposal process and internal controls surrounding this process.

All significant fieldwork was completed by March 18, 2014.

Management's Responsibility for Internal Control

Internal control is a process, effected by people at every level of the organization, designed to provide reasonable assurance that the following objectives are being achieved¹:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

¹ Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, Copyright 1994

Management is responsible for establishing and maintaining an environment that sets a positive and supportive attitude towards internal control. When the importance of internal control is communicated to employees, particularly through management's own actions and beliefs, the process is more likely to function effectively.

We noted the following strengths in relation to the controls we reviewed in the Division's process of managing and disposing of surplus real property:

- The Division verifies County ownership of all surplus real property before it is submitted to the County Council to be approved for disposal.
- The Office of Law is an important participant in the sale of surplus property. Their primary role in the process is to ensure that there are no issues with the contracts and deeds as it relates to previous ownership or liens.
- The disposal of surplus real property is mandated by Prince George's County Code 2-111.01.

We also observed several control weaknesses in the process of surplus real property disposal that require management's attention. The following sections detail the items noted during our review.

Lack of Written Standard Operating Procedures

During the preliminary survey phase of this audit, we discovered that the Division does not have written standard operating procedures to guide staff in conducting the day-to-day activities related to the surplus real property management or disposal process. The Division relies solely on verbal information received from current and previous employees and from County Code 2-111.01.

In the publication on standards for internal controls (GAO/AIMD-00-21.3.1) (11/99) the Government Accountability Office (GAO) states that:

"Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives...management is responsible for developing the detailed policies, procedures, and practices to fit their agency's operations and to ensure that they are built into and an integral part of operations."

Standard operating procedures have not been established or communicated to the two (2) current staff members performing the core surplus real property disposal duties. The Division currently operates without a Division Administrator, a position that has been vacant for several years. This management position would

oversee the Realty Specialist and Administrative Aide positions that are currently filled.

Without written standard operating procedures, key controls may be absent from the surplus real property management and disposal process, exposing the Division to an increased opportunity for error or fraud. Current staff members performing surplus real property management and disposal duties may not consistently process transactions if there are no standard written instructions in place to accomplish their tasks. Also, pertinent and relevant procedural knowledge may be lost when employees leave or retire from the Division. New employees would be left with no guide or frame of reference to process surplus real property disposals accurately, completely and efficiently.

1a) We recommend that the Director of Central Services compose, issue, and implement written standard operating procedures for the surplus real property management and disposal process. These procedures should address key business risks identified in the surplus real property management and disposal process including selling surplus real property for an amount less than the appraised value; transferring real property for no consideration before all bi-County agencies have been contacted; and obtaining the original property deed prior to the disposal of any surplus property.

1b) We also recommend that the Director of Central Services disseminate the procedures to all Division staff involved in the surplus real property management and disposal process and ensure that staff are adequately trained on any new procedures.

1c) Lastly, we recommend the Director of Central Services implement a process to review (and revise, if necessary) its policies and procedures every 5-10 years.

Inadequate Documentation of Surplus Real Property Transactions

We selected a sample of 54 disposal transactions (35 'proposed for sale', 17 'no consideration transfers', and 2 'leases') for fiscal years 2009 – 2013 and reviewed supporting documentation maintained by the Division to determine whether policies and procedures overseeing the surplus real property management and disposal process are being followed to properly account for, monitor, record, and report surplus property transactions. We also reviewed these transactions to determine whether surplus real property was being adequately managed and disposed of in a manner that protects the interest of the County, in accordance with statutory requirements (County Code and County Council Resolutions).

Based on our sample, we determined that the Land Acquisition and Real Property Division files were incomplete. The following observations were noted from the 54 transactions selected for testing:

Overall sample

- The Division was unable to locate two (2) out of 54 files (4%) requested for testing.
- After excluding the two (2) missing files and the 24 properties that were not fully disposed of, we were able to test the remaining 28 (13 'proposed for sale' and 15 'no consideration transfers') complete transactions.

Proposed for Sale

- For three (23%) out of 13 properties that were fully disposed, the Division did not provide the approved Administrative Review Committee (ARC) Checklist Transmittal Form to confirm ARC approval.
- For two (15%) out of 13 properties that were fully disposed, the Division did not provide supporting documentation indicating the legal team reviewed the sales contract for legal sufficiency.
- For seven (54%) out of 13 properties that were fully disposed, the Division did not provide the transaction settlement statement.
- For five (38%) out of 13 properties that were fully disposed, the Division did not provide proof of the final sales payment from the buyer.
- A separate transmittal is submitted for each payment type (earnest money deposit and settlement check), thus 26 transmittals were reviewed for the 13 properties that were fully disposed. For four (15%) out of the 26 total transmittals, the Division did not provide the Agency/Activity collection/transmittal (journal entry form) for the payment journal entry.
- Since appraisals are completed at the beginning of the disposal process for 'proposed for sale' transactions, in addition to the 13 completed transactions, we included 12 incomplete 'proposed for sale' transactions in our appraisal testing. This allowed us to perform appraisal testing on a total of 25 'proposed for sale' real properties. For one (4%) out of 25 transactions, the Division did not provide an appraisal report to confirm the property's appraised value.

No Consideration Transfer

Of the 17 'no consideration transfers' selected for sample testing, two (2) transactions were 2013 transactions, that had not been completed by the end of fieldwork, and were unable to be tested. No exceptions were noted during the testing of the remaining 15 'no consideration transfer' transactions.

Lease

Two (2) 'lease' transactions were selected for sample testing. However, these transactions had not been completed by the end of fieldwork and we were unable to test these transactions.

In the publication on standards for internal controls (GAO/AIMD-00-21.3.1) (11/99) the Government Accountability Office (GAO) states that:

"Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in a paper or electronic form. All documentation and records should be properly managed and maintained."

As previously mentioned, the Division currently operates without written standard operating procedures and a Division Administrator, resulting in the absence of internal guidelines and important managerial level oversight. The Division is not only responsible for surplus real property management and disposal, but also lease negotiations and management, property acquisitions, surplus property maintenance, and real property contract management with a staffing complement of two (2) employees.

In addition, the Division maintains several files for each property transaction based on various stages of the surplus property disposal process, making it difficult to view a transaction in its entirety (beginning to end). For instance, bid information is maintained in a folder separate from the property transaction file.

Inadequate documentation and the absence of written standard operating procedures perpetuate an increased likelihood of errors, resulting in inaccurate records and information, and reduce the reliability of the property transaction files.

2a) We recommend the Director of Central Services consider purchasing a real estate management software package to facilitate communication and adequately document the disposal process. The real estate management software should substantially automate the surplus property management process, and include a transaction status tracker that can detail exactly where a transaction is in the

disposal process. The software should also include a records management feature to allow the Division to electronically maintain all property transaction documentation (memorandums, deeds, appraisals, etc.). This will ensure that all property transaction documentation is backed up and in one central location for quick reference.

All staff members involved in the surplus real property management and disposal process should have access to and be trained in the use of this software.

Timeliness of Disposal Transactions

The scope of this audit included all surplus real property from FY 2009 – FY 2013, a total of 126 properties (including 2 ‘leased’ properties). During our testing, we determined that 30 (24%) out of the 124 (excluding 2 leased properties) total properties were disposed of as of the end of our fieldwork, March 18th, 2014.

The 126 real properties surplus by the County Executive had a total assessed value of \$110,517,378. Of that total, \$94,509,882 (or 85.5%) was real property ‘proposed for sale’. As of the end of our fieldwork, \$1,095,435 (or 1%) of the total assessed real property had been sold for \$1,029,121.

We also noted that 39 of the 126 surplus properties (31%) had to be re-listed (declared surplus and approved by County Council resolution in subsequent years), since the Division was not able to dispose of the surplus properties within two-years of the initial County Council Resolution.

According to County Code Sec. 2-111.01:

“The approval by resolution of the County Council of the sale, lease or other disposition of County-owned property and the leaseback of the same shall be an authorization to the County Executive to act within two (2) years of the effective date of the resolution upon such terms as the County Executive determines are in the best interests of the County,...Any contracts relating to the proposed sale, lease or other disposition and the leaseback of an approved property may be negotiated and accepted by the County Executive within two (2) years of the effective date of the County Council resolution.”

The delays in disposing of the surplus real properties may have resulted from communication to prospective buyers via written correspondence after each step in the disposal process. The disposal of County surplus real property is a cumbersome manual process that includes a large amount of paperwork.

The Division also experiences a large number of buyers that are unfamiliar with real estate practices in general, and must guide the inexperienced buyers through the entire disposal process.

When a significant amount of time has lapsed with regards to communication by the Division to the prospective buyer, or with any agency and outside entity involved in the process, it could delay the disposal action beyond the two (2) year action time frame, deeming the transaction unenforceable. Prospective buyers could, at any point in the process, become disinterested because of time delays from the Division or as a result of being uninformed.

The Division also stated that difficulty obtaining bids for properties proposed for sale could have resulted in the untimely disposal transactions.

Furthermore, the Division is not only responsible for surplus real property management and disposal, but also lease negotiations and management, property acquisitions, surplus property maintenance, and real property contract management with a staffing complement of two (2) employees.

As a result of the untimely disposal of surplus real property, the Division will continue to incur costs to maintain properties that are no longer being utilized by the County.

3a) We recommend the Director of Central Services dedicate staff to processing disposal transactions to ensure efficient and effective disposition of surplus real property. Dedicated staff would allow the Division to expeditiously respond to real property inquiries and ensure better communication with all parties involved in the disposal process.

3b) We also recommend the Director of Central Services consider purchasing a real estate management software package to facilitate communication in the disposal process. The real estate software should substantially automate the surplus property disposal process and include a transaction status tracker that can detail exactly where a transaction is in the disposal process. All staff members involved in the surplus real property management and disposal process should have access to and be trained on this software.

3c) Lastly, we recommend that the Director of Central Services educate prospective buyers, especially inexperienced buyers, of the real estate and surplus real property process in an effort to reduce transaction processing time.

Untimely Deposit of Earnest Money Checks

We performed deposit testing on the 35 'proposed for sale' transactions and noted that there were 16 transactions (contracts totaling \$3,839,989) where earnest money deposits were collected by the Land Acquisition and Real Property Division. For the 16 transactions, a total of \$384,543.70 was collected in earnest

money deposits and \$87,901.30 in settlement checks. We observed the following during our review of the 16 transactions:

- Three (3), or 18%, of the earnest money payments totaling \$2,500 were deposited more than 180 days after the check date;
- On average, earnest money deposits were deposited 164 days after the check date;
- One (1) check for \$2,510 was returned for insufficient funds, resulting in an incomplete transaction;
- One (1) check for \$240,000 was denied by the bank due to a stop payment, resulting in an incomplete transaction; and
- None of the earnest money payments for the 16 transactions were put in escrow, in a non-interest bearing account with a third party for the purchaser's benefit, as required by the sales contract.

According to the Uniform Commercial Code §4-404, a bank is not obligated to pay a check more than six months old. Hence, once 180 days has passed the check is considered stale dated and may not be honored by the bank.

In addition, language contained in the standard 'Contract for Sale' document utilized by the Division for all 'proposed for sale' transactions states the following with respect to the deposit:

"...a good faith Deposit (the "Deposit") has been paid in connection with the execution and delivery of this Contract in the form of cash or certified funds, receipt of which is acknowledged by the Seller, to be held by the Seller, in escrow, in a non-interest bearing account for the Purchaser's benefit..."

Also, it is prudent business practice when selling real property to collect an earnest money deposit and place the funds in escrow (or deposit the funds immediately into an approved County bank account) to protect the interest of the County.

The Division conducts bidding by mail for the sale of surplus real property and then holds the earnest money deposit payment in a safe deposit box until the sales contract has been fully executed and the transaction is near settlement. The earnest money payments are not placed in escrow, in a non-interest bearing account, as the Division deems the holding of the earnest money payment in a safe deposit box as sufficient.

Not placing earnest money payments in escrow, as stipulated in the signed sales contract, is a breach of contract. Also, holding checks until the contract is fully executed increases the risk of theft or loss of funds.

4a) We recommend the Director of Central Services consider online Electronic Funds Transfer (ETF) payments to collect ACH or eChecks for their earnest money deposit payments. This fast and secure method of payment will eliminate the need to collect physical checks and guarantee payment of the funds. **We recommend** that an online electronic payments feature be added to the County external website. The Division may also use a secure payment website like Paypal or PaySimple to collect ACH or eCheck payments.

4b) Lastly, if the Director of Central Services decides to implement an electronic payment method for earnest money deposits, **we recommend** that policies and procedures be updated for the new method of collecting earnest money deposit payments.



Rushern L. Baker, III
County Executive

PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Central Services

Roland L. Jones
Director

Floyd E. Holt
Deputy Director

MEMORANDUM

TO: David H. Van Dyke
County Auditor

FROM: Roland L. Jones, Director
Office of Central Services

DATE: October 21, 2014

RE: Response to Notification of Findings and Recommendations—Surplus Real Property Disposal Process

A handwritten signature in blue ink, likely of Roland L. Jones, is placed next to the "FROM" field.

The Office of Central Services (OCS) has reviewed the findings, conclusions and recommendations of the Surplus Real Property Disposal Process Audit dated July 31, 2014. We are in overall agreement with these findings; but would like the opportunity to spell out some underlying cause and effect related to some of the findings. We agree with and support the overall audit findings, and will therefore make every effort to either implement the recommendations or otherwise put in place corrective actions to ensure appropriate results.

The Land Acquisition and Real Property Division oversees and manages all the County-owned property including the disposal of real property no longer needed by the County. The Division is also responsible for all County leases and subleases, and manages the County's real estate acquisitions, sales, leases and legislative needs. The authorized staffing for these functions includes a Manager, Realty Specialist III, and Realty Specialist II. At the time of this audit, both the Manager and Realty Specialist II positions were vacant. The Division is currently staffed by a Realty Specialist III and an Administrative Aide. Additional efforts are underway to fill the vacancies.

The report identified four Notifications of Findings and Recommendations (NFRs). Attached is our discussion and response to each.

Attachment(s)

cc: Floyd E. Holt, Deputy Director, Office of Central Services

"One Mission - One Team"

1400 McCormick Drive, Suite 336, Largo, Maryland 20774 (301) 883-6450, FAX (301) 883-6464

OFFICE OF CENTRAL SERVICES MANAGEMENT RESPONSE AND ACTION PLAN
Audit of Surplus Real Property Disposal Process
October 2014

Finding # 1 – Lack of written standard operating procedures

Auditors noted that there were no standardized operating procedures to guide staff in conducting the day-to-day activities related to the surplus real property management or disposal process. The Division relies solely on verbal information received from current and previous employees and from County legislation Code 2-111.01.

Recommendations:

- (a) That the Director of Central Services compose, issue, and implement written standard operating procedures—We Agree.
- (b) That the Director of Central Services disseminate the procedures to all Division staff involved in the surplus real property management and disposal process—We Agree.
- (c) That the Director of Central Services implement a process to review its policies every five to ten years—We Agree.

Response:

The audit correctly pointed out the lack of standard procedures. Other than the County Code itself, the Division has relied heavily on settled practices, and unwritten processes to govern the operation. We agree that a Procedure Manual will serve as training material, ensure consistency, and help reduce variations within a given process. We will begin work right away on comprehensive policies and procedures to **transform** our process into a set of best practice procedures.

Finding # 2 – Inadequate documentation in files

Auditors noted what they considered to be a lack of supporting documentation for several of the requested files:

- Missing appraisals
- Incomplete Transactions
- Missing ARC Checklists for some sales
- One missing appraised value
- Two missing Legal Sufficiency documents
- Missing settlement statements
- Copies of final payment from the buyer
- Missing Journal Entry forms from Finance

Recommendations:

- (a) That the Director of Central Services consider purchasing a real estate management software package to facilitate communications and adequately document the disposal process. Such software should include maintenance of **memorandums**, **deeds**, appraisals, etc. This will ensure that all property transactions are backed up in one central location—We Agree.

Response:

Inadequate file documentation fell into four categories: Overall Sample; Proposed for sale; No consideration transfers; and Leases. For the overall sample, many of the files were in excess of four years

old. The audit disclosed a deficiency in the off-site storage operation. We need to work internally within the larger Agency to reconcile this records management deficiency. We believe that this highlights the need to accelerate a County-wide effort toward document management and electronic storage. For Proposed Sales, this dealt with properties approved under Surplus Resolution CR-33-2013. This legislation declared 51 properties for sale, lease, or no consideration transfer. At the time of the initial audit request, we were in the process of obtaining appraisals on the properties proposed for sale. All of the properties proposed for sale and referenced in the audit, have now been appraised and advertised and contracts of sale have been executed on 24 of these properties. The two no consideration transfers have now been completed. The two leases refer to the Tuxedo Road Training Center and the Bowie Cell Tower Site. The Tuxedo Road lease has been completed, and the Bowie Cell Tower has not been finalized.

Finding # 3 – Timeliness of Disposal Transactions

The auditor concluded that of 126 surplus property transactions, 31% had to be re-listed since the Division was not able to dispose of them within the two-year initial Council Resolution. The significant amount of time could at any point in the process, cause a prospective buyer to become disinterested, and result in continued maintenance costs for properties that are no longer needed or used by the County.

Recommendations:

- (a) That the Director of Central Services dedicate staff to processing disposal transactions to ensure efficient and effective disposition of surplus property—We Agree.
- (b) That the Director of Central Services consider purchasing a real estate management software package to facilitate communication in the disposal process—We Agree.
- (c) That the Director of Central Services educate prospective buyers of the process in an effort to reduce transaction processing time—We Agree.

Response:

The County has in its inventory, a large number of properties (mostly raw land or residential lots) that have come into the County's possession by way of tax liens. The County becomes the deeded owner of these properties as a last resort when they do not sale at the annual Prince George's County Tax Sale. The demand for these properties is limited and, in most instances, they become a financial responsibility to maintain.

The objective of surplussing and selling these properties carries three purposes:

- 1. To recover the cost involved in the foreclosure action.
- 2. To eliminate the cost of maintenance.
- 3. To return the property to the tax rolls.

The time required to market and return these properties to the tax rolls is a long and continual process and in most instances must be repeated to attract a buyer.

We concur that this is only a small portion of the Division's duties, that include lease negotiations and management, land acquisition for construction of libraries, fire stations, and police stations, acquisition of office buildings, and maintenance of County-owned property for code violations. Staffing for this function is extremely limited. We will be working to recruit and hire a qualified Manager for this function.

Finding # 4 – Untimely deposit of earnest money checks

Auditors correctly noted a past practice in which prospective buyers earnest money deposit checks were not deposited timely. And that holding checks, sometimes resulted in them becoming stale; denied by banks; and in one instance returned for insufficient funds. They also correctly noted that none of the checks were placed in escrow, as is customary in real estate transactions.

Recommendations:

- (a) That the Director of Central Services consider online Electronic Funds Transfer (ETF), Automated Clearing House (ACH); or eChecks for earnest money deposit payments. The recommendation also included a secure payment website like PayPal or PaySimple.

Response:

Offerors to purchase a County surplussed property are required to submit with their offer, an earnest money deposit of 10% as consideration. The audit correctly identified a past practice in which personal checks were placed in a safe, and held until the transaction was completed. In some instances, this timeframe allowed personal checks to become stale, allowed offerors to stop payment, and in one instance, allowed a check to be returned for insufficient funds. Beginning in 2011, we adopted a practice of depositing checks within 30 days of receipt, and in 2012 we stopped accepting personal checks altogether and began to require certified checks or money orders to eliminate insufficient funds or stop payments. No transactions were completed based on these deficiencies.

The other issue is whether the County should assign an identifying escrow number to each transaction or place each deposit into a numbered escrow while the title company researches the chain of title. Because the County sells surplus property by quitclaim deed, we have not historically used an escrow company, nor have we deposited into an escrow account within the County's financial system. However, we will investigate this option, and determine feasibility of establishing identifying account numbers for each transaction. We will include in our policies and procedures an updated method of collecting deposits.

We concur with the conclusions, findings and recommendations of this audit. We appreciate the opportunity to implement the findings and opportunities for improvement where practicable.