

AUDIT PROPOSAL

Kansas Wildlife, Parks, and Tourism: Evaluating Opportunities to Generate Revenue from Selling Surplus Department Land

SOURCE

This audit proposal was requested by Representative Ken Corbet.

BACKGROUND

In October 2015, the Legislature contracted with the consulting firm Alvarez and Marsal (A&M) to perform an efficiency study of state government. The contract required A&M to develop recommendations for ways in which state government could become more efficient. Among other things, the report identified an opportunity for executive branch agencies to sell surplus real property (i.e., land and buildings) to generate additional revenue. Under state law, agencies are permitted to sell real property it identifies as surplus. The agency retains 20% of the proceeds from the sale. The rest of the proceeds are transferred to the Kansas Public Employees Retirement System (KPERs).

The A&M report identified several surplus tracts of land and buildings which could be sold for an estimated \$9 million in revenue. However, it is unclear whether A&M considered an exhaustive list of the state's surplus real property in conducting its analysis, or whether it included the potential for additional property tax revenues in its revenue estimates. Ultimately, the A&M study recommended the state hire an external real estate project management office to identify, value, market, and sell all state owned surplus real property.

In addition, our 2012 audit on surplus state property identified \$2.2 million in surplus land and buildings, though our analysis was based on a limited sample of eight state properties. Both our audit and the A&M report acknowledged some complicating factors that make it difficult to identify and sell the state's surplus real property. Those factors included a lack of agency consensus on which property was surplus and a lengthy legal process to sell the property. Finally, a 2000 audit found that three state agencies—the Department of Transportation, the Department of Wildlife, Parks, and Tourism, and Kansas State University—owned 94% of all state-held land.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY:

The audit objective listed below represents the question that we would answer through our audit work. The proposed steps for the objective are intended to convey the type of work we would do, but are subject to change as we learn more about the audit issues and are able to refine our methodology.

Objective 1: How much surplus real property is owned by the Department of Wildlife, Parks, and Tourism that could feasibly be sold, and how much revenue could be generated by selling that property? Our tentative methodology would include the following:

- Work with Kansas Department of Wildlife, Parks, and Tourism (KDWPT) officials to determine which properties could be considered surplus and identify any potential barriers to selling that property.

- Work with officials from the Department of Administration (DOA) and the Department of Revenue's Division of Property Valuation to estimate the sales value of the state's surplus real property and the estimated property tax it would generate once it was no longer owned by the state.
- Work with DOA and KDWPT officials to estimate any potential offsetting costs associated with overcoming any barriers identified.
- Estimate the one-time and ongoing revenue associated with selling the Department's surplus real property.

ESTIMATED RESOURCES

We estimate this audit would require a team of **three (3) auditors** for a total of **four (4) months** (from the time the audit starts to our best estimated of when it would be ready for the committee).