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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 7, 2015

Ms. Joan McDonald
Commissioner
Department of Transportation
50 Wolf Road
Albany, NY 12232

Re: Review of Real Property Holdings for
Disposal
Report 2015-F-2

Dear Commissioner McDonald:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by the officials of the Department of Transportation (Department) to implement the recommendations contained in our audit report, *Review of Real Property Holdings for Disposal* (Report 2010-S-48) issued on March 5, 2012.

Background, Scope, and Objective

The Department is responsible for more than 113,000 miles of highways and tens of thousands of acres of property throughout the State. This includes property currently not being used and land purchased for projects which were later cancelled or changed. Continued ownership of unused property adds to the Department's maintenance and management responsibilities and consumes valuable resources. Retaining unneeded property deprives communities of real property tax revenue that could enhance local economies.

The Department generally sells its surplus property through public auction, sealed bids, or private sales, though it may transfer property to another State agency or municipality for public benefit. The Department's Property Executive Review Group must review properties identified for disposition and formally recommend them as surplus before they can be sold.

Our initial audit examined whether the Department periodically reviewed its real property so it could establish the need to either hold or dispose of properties and whether the Department disposed of real property on terms beneficial to the State.

The objective of our follow-up was to assess the extent of implementation, as of February 27, 2015, of the five recommendations in our initial report.

Summary Conclusion and Status of Audit Recommendation

We found that Department officials implemented each of the five recommendations in our initial audit.

Follow-Up Observations

Recommendation 1

Evaluate and document whether the 18 properties cited in the audit should be marketed for sale or otherwise disposed of.

Status - Implemented

Agency Action - The Department has evaluated all 18 of the properties cited along with an additional property. Based on those evaluations, eight are needed for current or future projects and five have restrictions that prevent them from being auctioned, such as requirements that they only be sold to abutting property owners. Of the remaining six properties, two were put up for auction in 2014, but had no bidders. The Department plans to hold additional auctions in 2015 for those two properties and for three additional properties. The one remaining property is being evaluated to determine whether it can be subdivided so that any unused portions may be prepared for auction.

Recommendation 2

Modify Sesame to include essential information such as value, usage, and restrictions, and periodically review the information to prioritize properties that potentially could be surplus for review and potential disposal.

Status - Implemented

Agency Action - Sesame (the Department's database for tracking information about its properties) was modified to reflect whether the property is marketable or if it has easements that would diminish its usefulness to a potential buyer. The Department has developed a procedures manual for Sesame and also provided training to the regional offices on how to use it. Regional offices are expected to keep the information in Sesame current so that it may be used by the Regional Property Managers to review excess property and identify candidates for disposal.

Recommendation 3

Require the regions to regularly review real property holdings to determine whether they should be surplus and disposed of.

Status - Implemented

Agency Action - The Department's Office of Right of Way has updated its procedures to require regular reviews of property held by the Department to determine if any can be disposed of. The regions have begun following these procedures, though they have not yet been formally approved. As of March 2015, the updated procedures – along with other changes to the process – were awaiting final approval by the Department's Chief Operating Officer.

Recommendation 4

Develop and implement methods to inform the public and potential buyers about excess property available for sales inquiries.

Status - Implemented

Agency Action - The Department has implemented new marketing strategies for surplus property. At the time of our original audit, it only placed ads in local newspapers, which was expensive and had limited readership. The Department now announces surplus properties on its web site, advertises in trade journals, and posts signs on the actual properties available for sale. In 2014, the Department held its own auctions and sold properties worth approximately \$4 million. The Department plans to hold additional auctions in 2015. The Department also provided an inventory of its available properties to the Office of General Services (OGS), but has not yet been a part of any OGS auctions.

Recommendation 5

Monitor compliance with Department procedures to review permits and update them as appropriate.

Status - Implemented

Agency Action - The Department's process has been modified to include assessing the adequacy of the permit fees being charged. The Department has revised its procedures to increase the threshold of permits to be reviewed every two years from \$2,400 to \$10,000. The Department has also issued guidance for permits for transverse pipes, which carry water, sewage, natural gas, or other materials under State highways. The annual permit fees for transverse pipes are now based on the diameter of the pipe, making it easier for the regions to determine the appropriate annual fee for these types of permits.

Major contributors to this report were Jennifer Paperman, Dick Gerard, and Sally Perry.

We thank Department management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Stephen J. Goss, CIA, CGFM
Audit Manager

cc: Theresa Vottis, Internal Audit