

JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

POST AUDIT DIVISION

LEGISLATIVE AUDIT REPORT

WV Real Estate Division

Post Audit Division Director: Justin Robinson



GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS STATEMENT

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (**GAGAS**). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

POST AUDIT DIVISION
Justin Robinson, Director

POST AUDIT DIVISION

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WV Real Estate Division

September 7, 2025

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EXECUTIVE SUMMARY

The Legislative Auditor conducted the audit of the West Virginia Real Estate Division (RED) in accordance with W. Va. Code §4-2-4. The objectives of this review include the following:

1. Determine if the Real Estate Division is achieving its legislative mandates in an efficient and effective manner.
2. Determine if the Real Estate Division is in compliance with W.Va. Code, specifically articles 5A-10 and 5A-11, as well as West Virginia Code of State Regulations 148CSR19 and 148CSR20.
3. Determine if WV Real Estate Division's records related to the state's leased real properties and buildings are comprehensive and adequately document relevant transactions so as to provide adequate evidence the agency is accomplishing its legislative mandates in managing such leases.

Report Highlights

- W.Va. Code §5A-10-10 states that at least once every four years, the Real Estate Division shall review the inventory of real property for each state spending unit to verify the accuracy of the inventory records and, from this review, make recommendations to the Governor and the Secretary of the Department of Administration regarding the use of real property. However, the Division's Director stated it has never conducted such a review in accordance with this statutory directive. Further, the Director contends the Division does not have the staffing available to accomplish such a task.
- Additionally, the Real Estate Division's annual *Real Property and Lease Report for all Spending Units* is dependent on real property data inputted by state spending units into wvOASIS. The Division has frequently noted deficiencies in the real property information maintained by state agencies, which complicates the Divisions ability to comply with its statutory directives.

Recommendations

- 1.1 The Legislative Auditor recommends the Real Estate Division seek the staff necessary to fully comply with W.Va. Code §5A-10-10 to meet the requirement to conduct a review of all non-exempt state agency real property inventory records once every four years and from this review make recommendations to the Governor and the Secretary of the Department of Administration regarding the efficient use of this property.
- 1.2 The Legislative Auditor recommends that the Real Estate Division provide more specific information in its annual reports regarding state agencies who are not properly inputting real estate inventory data into wvOASIS with a specific recommendation to each agency as to what corrective actions are necessary and report these findings to the Governor and Joint Committee on Government and Finance.

- 1.3 The Legislative Auditor recommends the West Virginia Real Estate Division comply with W.Va. Code §5F-1-7 and make available to the public on its website digital copies of all past, current, and future annual reports.

Background

The West Virginia Real Estate Division was created in 2007 within the Department of Administration, to establish a centralized office that provides leasing, appraisal, and other real estate services for state spending units. Additionally, the Division has under its purview the Parking Section which is responsible for managing approximately 3,000 parking spaces for employees, visitors and legislators at the Capitol Complex, and the Public Land Corporation which is authorized to buy, sell, or trade lands, waters, and minerals required for public use. The Real Estate Division currently has 17 full-time employees, including the Executive Director, with 8 employees assigned to the Parking Section and 8 employees assigned to the Real Estate Division. The PLC currently has no staff and a small budget.

The employees within the Division responsible for leasing, appraisal, and other real estate services are designated as Real Estate Associates and Real Estate Specialists (consisting of tiers 1-3). According to the Executive Director, *“...the Real Estate Associate and the three tiers of Real Estate Specialists perform very similar duties, though with differing levels of experience. Employees with these job titles are assigned a number of client agencies based on that employee's experience level and expected volume of work. This gives the client agencies a single contact within our office and ensures that important information is not missed....”*

The eight employees of the Real Estate Division include two Real Estate Associates, three Real Estate Specialists¹, a Leasing Manager, an Executive Assistant, and an Administrative Assistant. The Real Estate Specialists' duties are varied and may include creating monthly reports that are submitted to the Joint Committee on Government and Finance, completing monthly rent reports for the Department of Administration, as well as drafting solicitations of interest (SOI), and coordinating with all agencies to ensure the SOIs are properly run in the various newspapers, WV OASIS, and the State Bulletin. The Real Estate Associates and Real Estate Specialists are under the supervision of a Leasing Manager, who reviews their work and handles complex lease-related issues.

The Executive Director oversees the Real Estate and Parking Section employees and performs the final review of all lease documents and approval requests for the Governor's Office. Additionally, the Executive Director manages agency-related matters with the public, client agencies, and the State. Assisting the Executive Director is the Executive Assistant to the Agency Head/Operations Manager, whose duties include complex administrative/technical work in developing and implementing new initiatives and resolving administrative conflicts for the Division. Additionally, the Executive Assistant addresses issues related to regulatory responsibilities and ensures compliance with state and federal rules, regulations, and policies, as well as assisting with Parking Section duties. The Division also employs an Administrative Services Assistant who answers phones, manages fixed assets and surplus property, processes invoices, and oversees the management of the Division's internal records.

¹ The Division employs one Real Estate Specialist 2, and two Real Estate Specialists 3.

The powers and duties of Real Estate Division are detailed in W.Va. Code §5A-10-3 and include the following:

1. To provide leasing, appraisal and other real estate services to state spending units;
2. To ensure the purchase of real estate and all contracts for lease are based on established real estate standards and fair market price;
3. To develop and implement minimum lease space standards for the lease of any grounds, buildings, office or other space required by any spending unit of state government;
4. To develop and implement minimum standards for the selection and acquisition, by contract or lease, of all grounds, buildings, office space or other space by a spending unit of state government except as otherwise provided in this article;
5. To establish and maintain a comprehensive database of all state real estate contracts and leases;
6. To develop policies and procedures for statewide real property management;
7. To maintain a statewide real property management system that has consolidated real property, building and lease information for all departments, agencies and institutions of state government;

According to the Executive Director, approximately 85 percent of staff workload is allocated to providing leasing, appraisal, and other real estate services to state spending units, as well as ensuring the purchase of real estate and all contracts for leases are based on established real estate standards and fair market prices.²

Leasing Process

W.Va. Code §5A-10-3 stipulates that all non-exempt state agencies³ authorized to enter into lease agreements must, “...seek the advice and approval of the executive director [of the Real Estate Division] before entering into any lease of grounds, buildings, office and other space. The executive director shall submit approval of any lease by signing the lease in conjunction with the state agency....” In addition to assisting agencies with lease selection and lease contract drafting, W.Va. Code §5A-10-3 also assigns the Division the responsibility of establishing and maintaining a “...comprehensive database of all state real estate contracts and leases....”

According to the Division, “...leasing agencies provide RED with information based upon that agency's needs as the needs arise. The General Services Division provides floor plans and detailed information about property owned and managed by the Department of Administration that is leased to various agencies. Additionally, RED works with the Department of Administration,

² The 85% noted relates to numbers 1 and 2 on the previously listed Real Estate Division powers and duties outlined in W.Va. Code 5A-10-3. These powers and duties exclude the Parking Section and PLC employees.

³ WV Code §5A-10-2 exempts the following agencies from Article §5A-10: The Division of Highways (except for office space); Public lands rivers, and streams owned or managed by the Division of Natural Resources; The Higher Education Policy Commission; The WV Council for Community College & Technical Education; The Institutional Board of Governors; Real property held by the Department of Agriculture; Real property held by the WV State Conservation Committee; The Adjutant General's Dept.; and, the WV National Guard.

Finance Division to compile expenses related to each building that is used to calculate rental rates....”

Real Property Inventories

House Bill 4236 was passed in the 2018 Regular Session of the WV Legislature. This bill requires that “...[a]ll property owned or leased by the state shall be accounted for by the state spending unit that owns, leases, or is in possession of the real property....”

According to the Bill and the Division’s website, the required property information should be compiled in wvOASIS and be entered by May 31st of each year. Agencies that do not report the required property information by July 1st of each year are to be reported by the Real Estate Division to both the Governor and the Joint Committee on Government and Finance. Additionally, the Bill stipulates that beginning in 2019, all spending units must update their real property information by December 30th annually.

W.Va. Code §5A-10-9(e) and Section 10 of the State Code of Regulations 148CSR19 stipulate the information state agencies are to include in real property inventory records. The data reported must include the address and lot number of properties and, if available, the following:

- the date of purchase and purchase price;
 - if leased property, the date of lease and lease costs;
 - the name of agency holding title to property;
 - a description of current use and projected future use of property, and;
 - a description of each building or other improvement located on the real property.
- Section 10 of 148CSR19 requires agencies to maintain the property record in the state’s “...centralized accounting system maintained by the Enterprise Resource Planning Board...” (i.e., wvOASIS).

Real Property and Lease Report

W.Va. Code §5A-10-9(c) requires the Real Estate Division report to the Governor and Joint Committee on Government and Finance those agencies that have not provided a complete record of real property inventories. To comply with this requirement, the Division prepares an annual report entitled “*Real Property and Lease Report for All State Spending Units*” that notes agencies that have not fully complied in maintaining their real property inventories. While the Division has no statutory requirement to provide additional information in the annual report, the report includes data summarizing the number of buildings and real properties owned and leased for each agency, along with totals for original purchase price or lease cost. However, each annual report contains a caveat stating the data contained within the report are only as accurate as the data maintained by agencies in wvOASIS. The report states some agencies are more responsive than others when reporting their real properties and leases. Moreover, the report asserts that if larger agencies, such as the Division of Highways and Division of Natural Resources, would accurately report real properties in wvOASIS the total number of state-owned parcels would likely be in the hundreds of thousands.

The aggregate statewide totals for owned and leased properties cited in the most recently available 2024 report are as follows:

- 5,661 parcels of land with an initial purchase price of \$407,350,971.66;
- 6,096 buildings with a total purchase price of \$4,043,457,684.21;
- 916 operating leases with a yearly rent cost of \$55,532,923.63.

Four-Year Review of Real Property Inventories

W.Va. Code §5A-10-10 requires the Real Estate Division to “...review the inventory of real property for each state spending unit...to verify the accuracy of the inventory records....” This review is to be performed at least once every four years. The statute sets out specific objectives the review is intended to accomplish, such as identifying “...any real property owned or leased by the state that is not being used or that is being substantially underused...” and conducting “...an analysis of the highest and best use to which the real property may legally be placed....”

Summary of Audit Work Performed

The Legislative Auditor sought to determine if the Real Estate Division was in compliance with applicable statutes and legislative rules⁴, specifically W.Va. Code §5A-10-10, which requires the Division to “...review the inventory of real property for each state spending unit submitted pursuant to this article to verify the accuracy of the inventory records....”

Additionally, the Legislative Auditor conducted a limited-scope audit of the lease contracts maintained by RED in the lease property record to determine statutory compliance. At the time of this review there were 495 active leases managed by RED. According to RED, leases with private landlords make up the majority of contracts; however, state-owned leases do account for approximately twenty percent of the total lease population. The review of the lease property record found no material issues and was found to be complete and accurate with only insignificant issues noted.

This report will discuss issues regarding the review of inventory of real property defined in W.Va. Code §5A-10-10.

⁴ The Legislative Auditor reviewed the duties and responsibilities of the Real Estate Division as stipulated in W.Va. Code §5A-10, W.Va. Code §5A-11, Legislative Rule 148CSR19, and Legislative Rule 148CSR20.

Issue 1: The Real Estate Division Does Not Perform the Four-Year Review of Real Property for Each State Spending Unit as Required by W. Va. Code §5A-10-10.

The Real Estate Division is not performing a review of state agency property inventory records in accordance with W. Va. Code §5A-10-10. This statute sets forth the following requirements:

WV Code §5A-10-10. Real property review.

(a) At least once every four years, the Real Estate Division shall review the inventory of real property for each state spending unit submitted pursuant to this article to verify the accuracy of the inventory records.

(b) Based on the review of the inventory of real property, the Real Estate Division shall:

(1) Identify any real property owned or leased by the state that is not being used or that is being substantially underused;

(2) Make recommendations to the Governor and the Secretary of the Department of Administration regarding the use of real property, which shall include:

(A) An analysis of the highest and best use to which the real property may legally be placed; and

(B) An analysis of alternative uses of the real property addressing the potential for any other transaction or use that the Real Estate Division determines to be in the best interest of the state; and

(3) Submit to the Governor and the Secretary of the Department of Administration any information pertinent to the evaluation of a potential transaction involving the real property, including:

(A) An evaluation of any proposals received from private parties that would be of significant benefit to the state; and

(B) The market value of such real property.

Additionally, some agencies are not reporting their Real Property Inventories completely and accurately in accordance with real property inventory requirements delineated in W.Va. Code §5A-10-9 and Legislative Rule 148CSR19, Section 10⁵. Both the issue of the Division's noncompliance with §5A-10-10 and the state agencies inconsistent information inputted into wvOASIS have the effect of compromising the accuracy of real property inventories and, consequently, increasing the risk the state may incur unwarranted cost due to real properties being underutilized.

⁵ W.Va. Code §5A-10-9(a) states that "...[a]ll real property owned or leased by the state shall be accounted for by the state spending unit that owns, leases or is in the possession of the real property...." Section 10.2 of Legislative Rule 148CSR19 instructs agencies to document properties in "...the centralized accounting system maintained by the Enterprise Resource Planning Board...." [i.e., wvOASIS].

The Division's Director stated RED has never conducted the four-year review in accordance with this statutory directive and lacks staffing to accomplish such a task. Neither W.Va. Code nor Legislative Rule provides specifics regarding how the inventory verification should be performed.

Regarding these requirements and noted staffing issues, the Division Director stated the following:

The Real Estate Division does not have access to, or knowledge about, all plans for current and future use for all state-owned buildings, especially those owned by agencies that are exempt from the Real Estate Division's purview and control. Additionally, the Real Estate Division does not have the staffing available to accomplish such a task even with access to the information. In WV Code §5A-10-9, and the Real Estate Division legislative rule, 148 CSR 19 §10, each agency is required to maintain data about its owned and leased properties, including whether such properties are unused or underutilized in wvOASIS. The Real Estate Division publishes an annual report which includes information on the number unused and underutilized properties that the agencies currently report.

The Division has five leasing⁶ agents who work in conjunction with the Executive Director and Deputy Director/Leasing Manager to administer the leasing needs of their assigned agencies. According to the Executive Director, the assistance provided to spending units by leasing agents “...ranges from initial contacts regarding an agency's needs, finding space, negotiating lease terms, and drafting the lease and supporting documents. The agents also handle some extra duties such as acting as the privacy officer, records retention, creating the reports for the Joint Committee, and emergency response...”

While the Division may not have the staffing to perform an in-depth review of state agency real properties and real property inventory records in accordance with W. Va. Code §5A-10-10, the intent of this requirement is to ensure the state does not incur unnecessary expenses related to the use of real property, and to ensure that such property is used efficiently and that no property is underutilized to the extent that cost savings could be realized through consolidation of facilities. There is also a recent example of how the intent of this statute may have prevented the unnecessary expenditure by Department of Health and Human Resources (DHHR) of approximately \$1 million in state funds for unused property.⁷

According to a June 2018 report published by the WV State Auditor, the DHHR made lease payments of \$30,907.34 per month for office space located at the Middletown Mall in White Hall, Marion County, WV for 32 months after DHHR vacated the space. The DHHR vacated the Middletown Mall office space on May 31, 2015, and moved into a new state-owned building in

⁶ The five leasing agents consist of two Real Estate Associates and three Real Estate Specialists

⁷ According to a report issued June 26, 2018, by the WV State Auditor's *Public Integrity and Fraud Unit* on the ***DHHR Lease at the Middletown Mall***.

Fairmont, WV the following day on June 1, 2015. However, the DHHR continued to pay rent for the vacated space until February 2018 when a “random” audit of contracts and leases by the State Auditor’s Office noted “discrepancies” in DHHR’s monthly lease payment request. At that point the lease payments were halted—but, not until a total of \$989,034.88 had been paid to Pin Oak Properties, LLC by DHHR for the unused office space.

The State Auditor’s report notes several lapses of internal controls by both the DHHR and the Real Estate Division that allowed the erroneous payments to continue for such an extended period.⁸ According to the Real Estate Division, the specific action of directing payments to the lessor for the vacated property was the sole responsibility of DHHR as the Real Estate Division is not authorized or empowered to review or approve, or even be made aware of, invoices for rental payments or the payments themselves (except when an agency or landlord raises a specific question and seeks RED’s guidance). However, if periodic inventory reviews of owned and leased properties had been conducted as mandated by W.Va. Code §5A-10-10, the underutilization of this property could have been identified sooner which may have reduced or prevented these payments.

Deficiencies in Agency Real Property Inventory Records Mandated by W.Va. Code 5A-10-9

As previously stated, agencies are required by W.Va. Code §5A-10-9 and Legislative Rule 148CSR19, Section 10 to maintain a record of their real properties. The Rule specifies that each agency “...shall establish and maintain a record of real property it owns leases or possesses in the centralized accounting system maintained by the Enterprise Resource Planning Board...” (i.e., wvOASIS). The Real Estate Division was established in 2007 and the statute requiring the Division “...review the inventory of real property for each state spending unit...” became effective at that time. It should be noted that wvOASIS did not go live until 2014. Unlike real property records maintained in wvOASIS that are readily accessible to anyone with assigned access, prior to the implementation of wvOASIS agencies maintained their real property records in-house in a variety of formats.

The Real Estate Division compiles an annual *Real Property and Lease Report for All State Spending Units*. The Real Estate Division accesses the spending units’ real property records in wvOASIS to compile the annual report with copies provided to the Governor and the Joint Committee on Government and Finance. The report categorizes properties as either land, buildings, or real property leased for each agency.

The comprehensiveness and accuracy of RED’s *Real Property and Lease Report for all Spending Units* is reliant on the data input by the various agencies. Each annual report includes a disclaimer stating that “[t]he information in this summary report is only as good as the data

⁸ The State Auditor’s Office report noted numerous internal control deficiencies that contributed to the erroneous lease payments. Some, but not all, are as follows: **DHHR**: Failure to properly account for properties and monies paid; Staff unilaterally created invoices for the lease on behalf of Pin Oak Properties; Single employee that created invoices also approved them for payment without additional review. **Real Estate Division**: Unable to produce a signed and dated copy of termination letter sent to lessee [Required by W.Va. Code 5A-10-5(c)(1)]; Copies of termination letter were not sent to DHHR or State Auditor’s Office; Disregarded payee change notices after property was vacated.

provided by each state spending unit individually responsible by law for tracking their own real property and leases.”

Additionally, each annual report notes deficiencies in the manner some agencies report their properties in wvOASIS as some required fields are left incomplete or, in some instances, multiple properties are lumped together in one entry. Combining multiple properties as one entry precludes the reporting of required specific information for each individual parcel or structure. In many cases, each successive annual report⁹ lists the same agencies with the same deficiencies in their property inventory records. Further, the Legislative Auditor reviewed various recent agency property inventory records in wvOASIS and noted several omissions and discrepancies in some agency records. Also, a simple review of agency property inventory records would not divulge instances where an agency may fully omit documenting certain real properties in wvOASIS.

Undoubtedly, these deficiencies in agency inventory records result in RED’s annual reports being less accurate than they would be if certain noted agencies were more diligent in documenting the required information in wvOASIS. Although RED stated they sometimes provide guidance to agencies in the proper manner to document real property in wvOASIS, there are no means provided in either statute or rule to compel compliance.

The Real Estate Division’s Assistance to Agencies in Recording Real Property Inventories

The Real Estate Division provided guidance and technical assistance to state agencies in 2018 after passage of House Bill 4236¹⁰ requiring that “...[a]ll real property owned or leased by the state shall be accounted for by the state spending unit that owns, leases, or is in possession of the real property...” As part of this process the Division in conjunction with the State Auditor’s wvOASIS team transmitted memorandums detailing the steps necessary for statutory compliance and produced instruction manuals outlining the actions necessary to properly input information into wvOASIS.

By memorandum dated July 25, 2018, the Division advised all state spending units of the passage of HB 4236 and the requirement placed upon agencies to account for owned and/or leased properties. By memorandum dated September 7, 2018, the Division informed all state spending units that compliance with HB 4236 specifically entailed compiling property information in wvOASIS, and that the Real Estate Division worked with the Enterprise Resource Planning Board, who administers wvOASIS, to produce instruction manuals with directions on how to input information into the system. According to the 2019 Annual Report, the Division circulated wvOASIS instruction manuals to all spending units and notified recipients the manuals could be found on <https://realestatedivision.wv.gov/> and in MyApps, Enterprise Readiness Training for wvOASIS. Further, the memo stated agencies that fail to comply with the annual inventory reporting requirements in HB 4236 by May 31, 2019¹¹, would be reported by the Division to the

⁹ Six annual reports from 2019 thru 2024 were reviewed by the Legislative Auditor.

¹⁰ Passed March 3, 2018 (effective ninety days from passage)

¹¹ The Real Estate Division established an initial deadline of Friday, May 31, 2019, for spending units to input the required data into wvOASIS. This date was necessary to provide the Real Estate Division sufficient time to compile the report.

Governor and Joint Committee on Government and Finance beginning July 1, 2019, and every year thereafter.

By memorandum dated February 12, 2019, the Division noted that subsequent to the transmittal of the 2018 memos and the posting of instruction manuals, questions had arisen from spending units regarding the required level of detail for reporting real property and leases to the Real Estate Division. The memo provided additional clarification regarding legal definitions of land, buildings, and improvements, the correct way to account for certain classifications of real property, and the overall goal of the revised statute regarding real property reporting.

The Legislative Auditor notes there are currently six instruction manuals located on both the Division's website and in the training section for *wvOASIS*¹². The manuals provide instructions as to the proper coding of land and buildings, the correct fields to enter data regarding future property uses, the correct way to account for parcels of land that contain multiple buildings and improvements, and other pertinent guidance regarding data entry for the *wvOASIS Fixed Asset Module*. The proactive steps taken by the Division to avoid potential confusion regarding real property reporting have undoubtedly served to reduce errors and inconsistencies within the real property and lease portion of the *wvOASIS Fixed Asset Module*. While these steps are of significant benefit to state agencies, it is the opinion of the Legislative Auditor that the Division could further enhance agency real property reporting by providing agencies with more precise and detailed directives.

Improvements Needed for Annual Report Recommendations

The Legislative Auditor reviewed the issues of noncompliance contained in the annual reports prepared by the Real Estate Division. This review noted inconsistencies regarding the level of detail provided by the Division when describing certain issues, in addition to vague or unclear language included in the sections providing recommendations and corrective actions.

For example, reports sometimes include language advising agencies to update lease reports for various reasons, such as incorrect lease numbers and amounts. Additionally, the reports have advised agencies that a given number of leases are missing from a spending unit's property inventory record. While this information is important, noncompliant agencies would likely respond better to more detailed descriptions of the issues noted and the related required corrective actions. Findings that include specific omitted or inaccurate lease and dollar amounts, dates, and the associated *wvOASIS* data fields to use for such information would better enable agencies in identifying and correcting issues of noncompliance.

To illustrate this point, the 2024 Annual Report notes the Department of Education should “...update its lease report in *wvOASIS* to reflect the current lease dates and lease rates.” While this statement does inform the agency of needed corrective action, the inclusion of specific data such as the current incorrect lease dates and rates as well as the range or scale of noncompliance in terms of dollars and time (weeks, months, years), may facilitate more diligence from state agencies in addressing real property reporting deficiencies.

¹² The six manuals are labeled in *wvOASIS* as follows: *RED Training Field Change Update*, *RED Data Entry Update*, *RED Building Add*, *RED Land Asset Add*, *RED Leased Space Add*, *RED River Asset Add*. Additionally, there is an instruction manual uploaded to *wvOASIS* entitled *RED Modification Document* which is not currently located on RED's website.

Additionally, the Legislative Auditor noted that several agencies were identified by the Division as noncompliant with W.Va. Code §5A-10-9 for consecutive years. A few of these agencies were cited as non-compliant every year a report was issued. As the Division now has six annual reports to serve as a basis for analysis, consideration should be given to either specifically noting repeat instances of noncompliance or including a separate section within the report highlighting agencies who are consistently noncompliant.

As an example, the West Virginia Educational Broadcasting Commission has been included as noncompliant regarding real property inputted into wvOASIS in each of the Division's six annual reports (2019 – 2024). The 2021 and 2022 annual reports state, "*The agency should update its lease report. The current report includes incorrect lease numbers and amounts, and the agency is missing two leases.*" From this statement it cannot be determined which two leases are missing. The 2023 and 2024 annual reports further state, "...*The agency should update its lease report. The current report includes incorrect lease numbers and amounts, and the agency is missing approximately five leases....*" As the four annual reports only state that leases are missing in general, it cannot be determined whether the issues of noncompliance noted in each subsequent report concern the same leases as the issues noted in the report immediately preceding it. Also, absent from the 2023 and 2024 reports are details on the length of time each of the five missing leases have been incorrectly omitted from the wvOASIS property record.

In summary, the Division should include details regarding specific issues of noncompliance such as: lease numbers, dollar amounts, lease dates, rental rates, as well as the length of time spending units have been noncompliant with statute for each issue noted and the actions taken by spending units to correct issues noted in previous reports. This information allows users of the reports to track progress made by spending units in reaching full statutory compliance and provides an opportunity for agencies to make more informed decisions as to the proper level of priority to assign each issue noted. Additionally, by including a higher level of detail in all future annual reports, the Division can identify the most common instances of noncompliance and draw reasonable conclusions regarding the direct cause or causes of errors and inconsistencies. This, in turn, may provide the basis for the Division to offer additional guidance and assistance to spending units in the form of updated memorandums or training manuals.

Noncompliance with W.Va. Code §5F-1-7: Website Content and Required Information

In reviewing the six annual reports¹³ received from the Real Estate Division, the Legislative Auditor noted the following statement included on the second page of each report: "...*A digital copy of this report can be found at <https://realestatedivision.wv.gov>...*" However, the Division's website only contains the 2019 Annual Report even though five additional reports have been subsequently published. As a result, the Division is in noncompliance with W.Va. Code §5F-1-7, which states in part:

Beginning December 31, 2020, each agency shall maintain a website that provides the following information in a searchable form by the public, if applicable:

¹³ Entitled: *Real Property and Lease Report for All State Spending Units*

...(6) *Annual Reports*...

This statute requires each state agency to maintain a website that provides a list of nine, items, if applicable, in a form searchable by the public. As W.Va. Code §5A-10-9 only requires the Division to report noncompliant agencies to the Governor and Joint Committee on Government and Finance, the inclusion of annual reports on the Division's website, in accordance with W.Va. Code §5F-1-7, would provide an added degree of accountability and transparency to the public.

Issue Summary

The Real Estate Division is not performing a review of state agency property inventory records in accordance with W. Va. Code §5A-10-10. The statute requires the Division to review the inventory of real property for each non-exempt state spending unit to verify the accuracy of its inventory records. Through this review, the Division is to identify real properties owned or leased by the state that are not being used or that are being substantially underused, and to make recommendations to the Governor and the Secretary of the Department of Administration regarding the uses of real property. The absence of such a review may have contributed to the loss of nearly \$1 million of state funds as the former Department of Health and Human Resources (DHHR) continued to pay monthly rent for leased office space property for nearly three years after the DHHR had vacated the property.

Agencies are required by W.Va. Code §5A-10-9 and Legislative Rule 148CSR19, Section 10 to maintain a record of their real properties. In accordance with the Rule, real property inventories are to be maintained in the *wvOASIS Fixed Asset Module*. The Real Estate Division is required by the statute to review agency inventory records and report to the Governor and Joint Committee on Government and Finance those agencies that have not provided a complete annual record in accordance with the statute and rule. To comply with this requirement, the Division compiles an annual *Real Property and Lease Report for All State Spending Units* where it notes deficiencies in the reporting of real properties by some agencies. Certain agencies have been repeatedly noted by the Division as lacking in their reporting of real properties in each of the six annual reports published by the Division from 2019 through 2024. Efforts have been made by the Division, largely through the publication of several instruction manuals in 2018 and 2019, to ensure more accurate and complete reporting by agencies. However, it is the opinion of the Legislative Auditor that agency real property reporting could be enhanced if the Division accentuated repeat instances of noncompliance in the annual report or included a separate section within each report highlighting agencies who are continually noncompliant in reporting real property inventories.

On page two of each of the six annual reports reviewed is the following statement: "...[a] digital copy of this report can be found at <https://realestatedivision.wv.gov>..." However, the Division's website only contains the 2019 Annual Report. Therefore, the Division is in noncompliance with W.Va. Code §5F-1-7, which requires agencies that publish annual reports to make the reports available on the agency's website. Such inclusion would provide an added degree of accountability and transparency to the public.

Recommendations:

- 1.1 The Legislative Auditor recommends the Real Estate Division seek the staff necessary to fully comply with W.Va. Code §5A-10-10 to meet the requirement to conduct a review of all non-exempt state agency real property inventory records once every four years and from this review make recommendations to the Governor and the Secretary of the Department of Administration regarding the efficient use of this property.
- 1.2 The Legislative Auditor recommends that the Real Estate Division provide more specific information in its annual reports regarding state agencies who are not properly inputting real estate inventory data into wvOASIS with a specific recommendation to each agency as to what corrective actions are necessary and report these findings to the Governor and Joint Committee on Government and Finance.
- 1.3 The Legislative Auditor recommends the West Virginia Real Estate Division comply with W.Va. Code §5F-1-7 and make available to the public on its website digital copies of all past, current, and future annual reports.

Appendix A

WEST VIRGINIA LEGISLATURE
JOINT COMMITTEE on GOVERNMENT and FINANCE
Legislative Auditor's Office

1900 Kanawha Blvd. East, Room W-329
Charleston, WV 25305-0610
(304) 347-4880



Justin Robinson
Legislative Auditor

July 31, 2025

Arlie Hubbard III, Executive Director
West Virginia Real Estate Division
601 57th Street, S.E., Suite #3
Charleston, WV 25304

Executive Director Hubbard:

This is to transmit a draft copy of the Post Audit Division's report on the Real Estate Division's compliance with applicable statutes and rules regarding real property management and oversight. This report is scheduled to be presented during the September interim meeting of the Post Audits Subcommittee. The date and time have not been set for this meeting, but the September interim meetings will occur between September 7-9, 2025. We will inform you of the exact time and location once the information becomes available. It is recommended that a representative of your agency be present at the meeting to respond to the report and answer any questions the committee may have during or after the meeting.

If you would like to schedule an exit conference to discuss this draft report prior to its release, please contact Terri Stowers at 304-347-4880 or terri.stowers@wvlegislature.gov to schedule this meeting to occur prior to August 12, 2025. In addition, if you would like to provide a written response to the report, we ask that this be provided no later than Noon on Friday, August 15, 2025, for it to be included in the final report. Thank you for your cooperation and please contact our office with any questions or concerns.

Sincerely,

A handwritten signature in blue ink that reads "Justin Robinson".

Justin Robinson

Attachment: Post Audit Draft Report Transmittal - Real Estate Division.pdf

C: Eric Householder, Cabinet Secretary, WV Department of Administration

Objective, Scope, and Methodology

The Post Audit Division within the Office of the Legislative Auditor conducted this audit of the West Virginia Real Estate Division pursuant to Chapter 4, Article 2, Section 4 of the West Virginia Code, as amended.

Objective

The objectives of this review included the following:

1. Determine if the Real Estate Division is achieving its legislative mandates in an efficient and effective manner.
2. Determine if the Real Estate Division is in compliance with W.Va. Code, specifically articles 5A-10 and 5A-11, as well as West Virginia Code of State Regulations 148CSR19 and 148CSR20.
3. Determine if WV Real Estate Division's records related to the state's leased real properties and buildings are comprehensive and adequately document relevant transactions so as to provide adequate evidence the agency is accomplishing its legislative mandates in managing such leases.

Scope

The scope of the Real Estate Division audit included an assessment of compliance with the Division's governing instruments including Article §5A-10 of the W. Va. Code and the Code of State Regulations 148CSR19. A particular emphasis was given to Sections 9 and 10 of Article §5A-10, which specifically governs the Division and state agency requirements in managing and documenting owned and leased real properties.

We also reviewed Article §5A-11 of the W. Va. Code and the corresponding Code of State Regulations 148CSR19 (Public Land Corporation). This review primarily focused on the applicability of the instruments to the current operations, and the redundancies between the two Articles.

The scope of this review included an evaluation of the accuracy and completeness of the real property lease records maintained by the Division in accordance with W.Va. Code §5A-10. This review was conducted on leases current as of October 31, 2024. Also included was a limited scope review of the real property lease records of non-exempt state agencies that are statutorily required to report detailed data on such properties annually to the Real Estate Division.

The audit did not include state agencies that are exempted from reporting property to the Division by Section 2 of Article §5A-10 of the W.Va. Code. The audit also excluded the Real Estate Division's Parking Section as the section is subject to periodic audits conducted by the Performance Evaluation & Research Division of the Legislative Auditor's Office.

Methodology

Post Audit staff obtained and analyzed several sources of evidence necessary to evaluate the efficiency and effectiveness of the Division's operations pertaining to real property lease oversight and administration as stipulated by W.Va. Code. Audit staff reviewed applicable statutes

and legislative rules governing the powers and duties of the Real Estate Division. Additionally, source documents such as policy statements, procedural documents, annual reports, internal real property database report summaries and related supporting documentation were reviewed to determine the nature and extent of internal control oversight and statutory compliance. Further, numerous written inquiries were submitted to the Division as deemed necessary to understand agency operations and procedures. The Division's written responses were integral to determining compliance with governing instruments as well as generally assessing the principles of economy, efficiency and effectiveness of the Division's operations.

The audit team employed the use of statistical sampling methodologies to evaluate the accuracy and completeness of the Real Estate Division's database of real estate leases with respect to a statistically significant sample of lease contracts. The audit team evaluated the extent to which lease contracts included within the audit sample incorporated key metrics and data consistent with complete and accurate real property record keeping. The audit team also verified the inclusion of essential uploaded supporting source documents in the database related to leases such as lease contracts and market analyses. Further, the audit team agreed the source documents to the lease database entries and documented identified inconsistencies in the audit workpapers.

The Public Land Corporation (PLC) duties as specified in Chapter §5A-11-3(a)(3) of the W. Va. Code include the selling or exchanging of public lands where it is determined that the sale or exchange of such tract meets certain criteria as specified in the statute. However, if an agency's title of real properties is "...specifically vested by law..." the agency is exempted by Section 1 of Article §5A-11 from the provisions of Article §5A-11. The audit team examined wvOASIS disbursement records for real property sales for the period of November 2019 to March 2024. For real property sales noted, a determination was made on whether the agency selling the property was exempt or nonexempt by §5A-11-1 from the Public Land Corporation's jurisdiction. If nonexempt, a determination was made if the Public Land Corporation administered the sale as required by §5A-11-3(a)(3).

The Legislative Auditor conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C



STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
REAL ESTATE DIVISION

Eric L. Householder
Cabinet Secretary

Arlie Hubbard III
Executive Director

September 2, 2025

Justin Robinson, Director
West Virginia Legislative Auditor's Office, Post Audit Division
1900 Kanawha Boulevard, East, Room W-329
Charleston, WV 25305-0610

Director Robinson:

This is to acknowledge receipt of a draft copy of the Post Audit Division's report on the Real Estate Division (RED). Upon reviewing the report, RED agrees with the issues and recommendations set forth by the West Virginia Legislative Auditor's Office, Post Audit Division.

RED offers the following responses to the three recommendations:

1. Recommendation 1.

The Legislative Auditor recommends the Real Estate Division seek the staff necessary to fully comply with W.Va. Code §5A-10-10 to meet the requirement to conduct a review of all non-exempt state agency real property inventory records once every four years and from this review make recommendations to the Governor and the Secretary of the Department of Administration regarding the efficient use of this property.

Response:

RED agrees and will dedicate the resources necessary to comply.

2. Recommendation 2.

The Legislative Auditor recommends that the Real Estate Division provide more specific information in its annual reports regarding state agencies who are not properly inputting real estate inventory data into wvOASIS with a specific recommendation to each agency as to what corrective actions are necessary and report these findings to the Governor and Joint Committee on Government and Finance.

Response:

RED will comply with this recommendation by providing specific recommendations to the agencies.



STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
REAL ESTATE DIVISION

Eric L. Householder
Cabinet Secretary

Arlie Hubbard III
Executive Director

3. Recommendation 3.

The Legislative Auditor recommends the West Virginia Real Estate Division comply with W.Va. Code §5F-1-7 and make available to the public on its website digital copies of all past, current, and future annual reports.

Response:

RED agrees with this recommendation and is currently in the process of adding the reports to its website.

I appreciate the staff at the Post Audit Division for their time and effort to improve the functionality of the Real Estate Division.

Sincerely,

Arlie Hubbard III
Executive Director
Real Estate Division



POST AUDITS SUBCOMMITTEE
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JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR
- POST AUDIT DIVISION -

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