

**BRIEFING SHEET**Report 19-26  
December 2019State Auditor  
[Joe Chrisman](#)

## State-Owned Residential Properties

### Background

Under provisions of ch. 16, Wis. Stats., the Department of Administration (DOA) is required to administer state-owned residential properties that are managed by state agencies and leased to state employees. Certain employees may be required to reside in the properties as a condition of employment while other employees may opt to reside in them. Internal Revenue Service (IRS) guidelines specify the criteria that must be met to avoid treating rental payment discounts an employer may offer to an employee as taxable income for an employee.

As of December 2018, the Department of Natural Resources (DNR) managed 32 state-owned residential properties occupied by 32 employees, and the University of Wisconsin (UW) System managed a total of 114 properties occupied by 171 employees.

### Key Findings

- DOA did not comply with all statutory requirements, did not track all state-owned residential properties for which it is statutorily responsible, and did not monitor state agency compliance with its policies.
- DOA policies governing leasing provisions applicable to state-owned residential properties have not been revised since 1975.
- DOA last conducted statutorily required appraisals of state-owned residential properties in 1995 and did not conduct them following either the 2000 census or the 2010 census.
- During 2019, DNR will have undercharged an estimated \$38,900 and UW institutions will have undercharged an estimated \$24,000 for rental payments because they did not implement all rental payment adjustments determined by DOA since 1998.
- DNR demonstrated compliance with IRS guidelines in only 2 of 32 lease agreements and UW institutions demonstrated compliance in only 3 of 16 lease agreements in effect in December 2018.
- DNR incorrectly provided a 50.0 percent rental payment discount in some lease agreements it executed with state employees.
- UW-Madison was unable to provide lease agreements in effect during December 2018 for 6 of 12 employees it required to reside in properties located at agriculture research stations.
- DOA policies do not fully address how rental payment amounts should be determined for UW employees who opt to reside in apartments.

### Audit Recommendations

We recommend that DOA comply with statutory requirements, reassess practices surrounding state-owned residential properties, and increase its monitoring and oversight of these properties. We recommend that DNR and UW System comply with DOA policies and improve the management of lease agreements each executes with state employees.

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