



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.