

**GROWTH MANAGEMENT
AND
DEVELOPMENT SERVICES
REAL ESTATE DIVISION
AUDIT 07-12
JUNE 18, 2007**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

June 18, 2007

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Real Estate Division, Audit 07-12

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on the Real Estate Division. We thank the management and staff of both the Real Estate Division and General Accounting (Property Control) for their cooperation and assistance during this audit.

Sincerely,

Roger Strout
Internal Audit Director

cc: Cynthia Miller, Growth Management and Development Services Director
Darrell Smith, Chief of Staff

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Olivia N Walker

Auditor

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Audit Supervisor

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INTRODUCTION

The Real Estate Division (Division) is part of the Growth Management and Development Services Department. The Division acts as a central service organization for other City departments, providing the following real estate related services:

- Acquiring of land or easements needed for street improvements, fire stations, drainage basins, pump station sites, sewers, general utilities, ingress, and egress over certain designated properties, and special development projects.
- Selling properties not needed by the City and that are available for sale to the general public.
- Leasing vacant lands, office space, and warehouses needed by the various City departments.
- Leasing City owned properties to other governmental entities, non-profit corporations, private businesses, and individuals.

The Division does not have “budgeted funds” of their own to use for the acquisition of real estate. Therefore, all actions taken are based on instructions received from the Administration or other City departments / divisions who have budgeted revenues for purchasing properties. As of January 2007, the Hillsborough County Property Appraiser’s Office reported more than 1,500 parcels whose owner name was the City of Tampa, with a just value of more than \$903 million. The authorized staffing level for the Real Estate Division, at the time of the audit, was 18.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY07 Audit Agenda. The objectives of this audit were to ensure that:

1. Properties were acquired in compliance with established written guidelines.
2. Sold properties were properly valued and disposed in compliance with established written guidelines.
3. City asset records accurately reflected real estate transactions.

STATEMENT OF SCOPE

The audit period covered activities for the Real Estate Division that occurred from October 2005 through January 2007. Source documentation was obtained from the City of Tampa's Real Estate and Housing and Community Development Division files. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 10 percent, and a desired precision of 10 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

We assessed the reliability of the data contained in the Real Estate Division's Master Property Report. Based on these assessments and tests, we concluded that the data was not reliable to be used in meeting the audit's objectives. Therefore, the primary source of data was obtained from the city's fixed assets system, known as FAACS (Fixed Assets Accounting System). FAACS is reconciled with FAMIS, whose data has been determined to be reliable.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Based on existing written guidelines, properties were not always acquired in compliance with existing requirements.
2. Although values for sold properties appeared proper, the documentation to support compliance with existing guidelines needed improvement.

3. Documentation to support City asset records accurately reflected real estate transactions; however, required improvement.

NOTEWORTHY ACCOMPLISHMENTS

The prior audit commented that the recording of real estate transactions completed by the Real Estate Division was not provided to the Property Control Division in a timely manner. This resulted in the untimely recording of real estate sales and acquisitions. However, during this review, it was noted that a memorandum is now submitted to and signed by Property Control which notifies them that an acquisition or disposition has occurred. This procedure has helped to ensure timely recordings of transactions by Property Control.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Real Estate Division, they do present risks that can be more effectively controlled. Before we completed our audit, actions were being taken by Real Estate Division personnel to implement some of the Internal Audit Department's recommendations.

REAL ESTATE INVENTORY

The Property Appraiser's website was used as a source to determine the accuracy of the information maintained on the Real Estate Division's Master Property Report. This review disclosed 496 discrepancies between the two reports that included differences in the folio numbers for the same property addresses. The discrepancies were grouped into four major classifications and provided to Real Estate Division Management for review.

A review of the discrepancies by Real Estate Division personnel disclosed that folio numbers have often been combined with other folio numbers for a particular transaction involving multiple addresses or vice versa. Additionally, the Property Appraiser has not always given notice to the City if this type of change occurs.

In order to determine the extent of the work to be performed by Real Estate personnel, it was noted that the prior audit (03-17) disclosed that General Accounting's Property Control area was performing an annual reconciliation between the Property Appraiser's information and the City's Fixed Asset System. A discussion with Property Control personnel indicated that a reconciliation was being performed and that the most recent was as of August 2006. It was also disclosed that a copy of any differences noted during the reconciliation process were forwarded to the Real Estate Division to obtain an explanation. Specifically, for the August 2006 reconciliation, there were some items still outstanding; however, Real Estate personnel had provided Property Control with explanations and the outstanding items were in the process of being cleared.

RECOMMENDATION 1

Management should establish a written procedure for processing the discrepancies noted in the annual Property Control reconciliation. The procedure should include a deadline for resolving the differences identified.

AUDITEE RESPONSE

The Real Estate Division will prepare the procedure and submit it to the Director of Growth Management & Development Services. The approval by the Director is anticipated during July 2007.

SOLD PROPERTIES

A sample of 21 dispositions – based on Clerk of the Court records, was selected for review. However, four transactions did not involve real estate transactions that resulted in change of title to the properties and were not included in the review. For the remaining 17 transaction files, a review to ensure compliance with the policy manual procedures disclosed the following:

- Twelve transactions involving 13 folio numbers had not been removed from either Property Control and / or the Real Estate Master Inventory records. The sales occurred between January and November 2006.
- Three transactions were processed by the Housing and Community Development Division and did not provide documentation to support that adequate approvals and notices were obtained.
- Seven transactions did not have a timely notice to various departments concerning real estate sales or timely internal review by Real Estate Division personnel for property liens. The notice to departments was dated July 2002. The sale dates for the properties reviewed all occurred in 2006. We noted for these transactions that the department's review for property liens occurred at least 90 days after the sale.

It was also noted that there were inconsistencies between the Real Estate Division and Housing and Community Development (HCD) for required appraisals. The Real Estate Division's threshold for requiring appraisals was \$100,000; whereas, HCD did not have a written policy.

RECOMMENDATION 2

Management should establish a written procedure that would help to ensure their internal database is up to date and agrees with the information maintained by Property Control.

AUDITEE RESPONSE

We concur. The Real Estate Division will prepare the procedure and submit it to the Director of Growth Management & Development Services. The approval by the Director is anticipated during July 2007.

RECOMMENDATION 3

Management should re-evaluate its procedure of reviewing for liens on property being sold and if it is determined to be necessary, a procedure should be developed to ensure the information in SITUS (database of property addresses located within the city limits) is updated in a timely manner.

AUDITEE RESPONSE

We concur. The Real Estate Division will re-evaluate its procedure and submit any changes, if necessary, to the Director for approval during July 2007.

RECOMMENDATION 4

Disposal of real estate owned by the City of Tampa should be documented by all divisions of the Growth Management and Development Services department in a consistent manner by using an approved guideline to document each transaction. Additionally, the guidelines should include appropriate thresholds for obtaining a property appraisal.

AUDITEE RESPONSE

A policy will be prepared to document the disposal of real estate for the various divisions of the Department of Growth Management & Development Services no later than July 31, 2007.

PROPERTY ACQUISITIONS

The current policy and procedures manual does not address conducting and documenting a review for environmental issues prior to acquiring a property. Real Estate Management stated that there is a discussion regarding any potential environmental hazard prior to acquisitions, however, the outcome is not documented.

RECOMMENDATION 5

The current manual should be revised to identify the criteria to be used to determine when an environmental assessment is required.

AUDITEE RESPONSE

The Real Estate Division will prepare the revision and submit it to the Director of Growth Management & Development Services. The approval of the Director is anticipated during July 2007.