

**ECONOMIC OPPORTUNITY DEPARTMENT  
REAL ESTATE DIVISION  
AUDIT 14-06  
May 8, 2014**



# CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

May 8, 2014

Honorable Bob Buckhorn  
Mayor, City of Tampa  
1 City Hall Plaza  
Tampa, Florida

RE: Real Estate Division, Audit 14-06

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on the Real Estate Division.

We thank the management and staff of the Real Estate Division for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover  
Internal Audit Director

cc: Dennis Rogero, Chief of Staff  
Sonya Little, Chief Financial Officer  
Bob McDonough, Economic Opportunity Department Administrator  
Thom Snelling, Director of Planning and Development

**ECONOMIC OPPORTUNITY DEPARTMENT  
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/s/ Beverly Mahaso

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Auditor

/s/ Christine Glover

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Audit Director

**Economic Opportunity Department  
Real Estate Division  
Audit 14-06**

**BACKGROUND**

The Economic Opportunity Department encompasses the Real Estate Division (Division) which acts as a central service organization, providing professional real estate services to City departments. The Division represents the City as owner, seller, buyer, landlord and tenant in real estate transactions. The scope of services provided spans the City's real property needs in areas such as: right-of-way improvements, public utilities, parks and recreation, affordable housing, economic development, and office space. Further, excess property may be sold or leased by the Division at the request of City departments or the general public, provided that no other City department has a need for the property. Property that is sold or leased may require that the buyer or leaseholder provide a benefit to the City and its residents, such as constructing affordable housing or providing recreational services.

**STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Department's FY2014 Audit Agenda. The objectives of this audit were to determine whether:

1. The Division is acquiring property in accordance with State statutes, policies and procedures.
2. The Division is disposing of property in accordance with State statutes, policies and procedures.
3. Leaseholders are fulfilling contractual obligations as stated in the lease agreements.

**STATEMENT OF SCOPE**

The audit covered work performed by the Division through December 2013. Test work was performed related to acquiring, disposing and leasing City owned property.

**STATEMENT OF METHODOLOGY**

To achieve the audit objectives, files of the Division's transactions were obtained. Thereafter, random samples of properties that were acquired or disposed of through December 2013 were selected to determine compliance with state statutes, rules and regulations. Further, a random sample of leases was selected to determine whether leaseholders were in compliance with lease terms. Finally, all dispositions completed through December 2013, that included contractual obligations for the buyer to perform, were reviewed to determine whether the buyer met the contractual obligations.

**STATEMENT OF AUDITING STANDARDS**

We 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 objectives.

### **AUDIT CONCLUSIONS**

Based on the test work performed we conclude that:

1. Occasionally, the Division is not acquiring property in accordance with State statutes, policies and procedures.
2. The Division is not consistently disposing of property in accordance with policies, procedures and the executive order.
3. Overall, leaseholders are fulfilling their contractual obligations.

### **SUCSESSES**

The Division is experiencing significant success in the relocation of historic homes in coordination with the Florida Department of Transportation, in acquiring strategic properties and in leasing properties.

## **DISPOSITION PROCEDURES**

**STATEMENT OF CONDITION:** The Division has established procedures which require the performance of specific tasks during dispositions. Our analysis of the dispositions indicated that the Division is not consistently following these procedures. We reviewed 20 dispositions and found the following:

- One disposition did not contain a written request from a department.
- Five dispositions were not classified to determine which disposition process to utilize.
- Seven dispositions did not provide sufficient notice of the disposition.
- One disposition did not contain an approved legal description.
- Eight dispositions were not submitted to the appropriate supervisor for review.
- Eighteen dispositions did not contain all required supervisory signatures at close out.

**CRITERIA:** Executive Order 90-4 and Division policies 7, 10 and 13 describe the procedures for disposing City property which include performing due diligence such as obtaining written requests, classifying property, providing notice of the proposed disposition, and performing supervisory reviews.

**CAUSE:** Staff members did not consistently follow set procedures and they did not receive sufficient supervision to ensure that procedures were followed.

**EFFECT OF CONDITION:** Failure to ensure that procedures are followed could create the risk that City property is not disposed of equitably, accurately or in the best interest of the City.

**RECOMMENDATION:** The Division should ensure that procedures are followed consistently by providing periodic refresher training for its employees.

**MANAGEMENT RESPONSE:** The Real Estate Division concurs with the findings of this 2014 Audit and agrees to incorporate the resulting recommendations by providing refresher education to staff effective immediately. The audit findings and the flowchart provided by the Internal Audit Department for Dispositions are useful for consistency in the Real Estate Division process.

**TARGET IMPLEMENTATION DATE:** It is our intent to implement periodic reviews of the Real Estate Division process with staff effective immediately.

## **BUYER PERFORMANCE**

**STATEMENT OF CONDITION:** Where dispositions require buyer performance, there is no written procedure to ensure that the Division or the departments requesting the dispositions verify whether buyers met their contractually required obligations. Our review indicated that some City owned properties are sold with requirements that buyers perform certain developments to the properties within specified timeframes. These requirements are established by the departments requesting the dispositions. Further, we found that the Division monitors these properties through periodic manual reviews of files and assigns staff members to perform verifications. We reviewed all 16 properties that currently had requirements to perform specific developments. We found that in eight properties, verification was not performed by the Division or the requesting department.

**CRITERIA:** Executive Order 90-4 indicates that the City may require that buyers perform specific developments to the property for the benefit of the surrounding community within specified time periods.

**CAUSE:** The Division does not have written procedures that describe the process of monitoring and verifying whether buyers met their contractual obligations. Further, the Division is monitoring properties manually when use of software, currently in place, would be more effective.

**EFFECT OF CONDITION:** Failure to ensure that buyers comply with their contractual obligations creates the risk that the City and the affected communities may not receive the benefit of the agreed upon developments.

**RECOMMENDATION:** The Division should work with its management and departments requesting dispositions to establish who will be responsible for the verification of required developments. In addition, written procedures should be established to document this process and electronic methods for monitoring properties should be considered.

**MANAGEMENT RESPONSE:** The Real Estate Division concurs with the need for improvement in the area of purchaser compliance. A draft of the process outlined in the recommendation will be prepared within 120 days (7/18/14). The Policy will be presented to involved departments for a review period of 14 days prior to implementation.

**TARGET IMPLEMENTATION DATE:** The Revised Policy will be presented for review and implementation by September 2, 2014.

## **ACQUISITION PROCEDURES**

**STATEMENT OF CONDITION:** The Division has established procedures which require the performance of specific tasks during acquisitions. Our analysis of the acquisitions indicated that the Division occasionally did not follow these procedures. We also noted that the Division's manual does not contain all procedures currently in practice. We reviewed 20 acquisitions and found the following:

- Two acquisitions did not obtain an appraisal in a timely manner during negotiations.
- Two acquisitions did not contain a written departmental request.
- Three acquisitions did not contain all required supervisory signatures at close-out.
- Three acquisitions did not utilize the tax exemption form; and although currently required, use of this form is not in the Division's manual.

**CRITERIA:** Florida Statute 166.045 and Division policies 7, 9 and 13 describe the procedures for acquiring property which include performing due diligence such as obtaining written requests, appraisals, environmental assessments, and supervisory reviews.

**CAUSE:** Staff members occasionally did not follow established procedures. Further, the procedure manual has not been updated recently to reflect all current procedures.

**EFFECT OF CONDITION:** Failure to ensure that all procedures are written and followed could result in a violation of Statute and the City purchasing property under circumstances and terms that are not in its best interest.

**RECOMMENDATION:** The Division should ensure that procedures are followed consistently by keeping its manual current and providing refresher training for its employees.

**MANAGEMENT RESPONSE:** The Real Estate Division concurs with the findings of this 2014 audit and agrees to incorporate the resulting recommendations into its operations. The audit findings and the flowchart provided by the Internal Audit Department for Acquisitions is a useful tool for consistency in the Real Estate Division process.

**TARGET IMPLEMENTATION DATE:** It is our intent to implement many updates immediately. Revisions which require transition to digital or formatting of new documents will be completed no later than year end.