

Duval County Property Appraiser's Office

September 23, 2003

Report #583

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EXECUTIVE SUMMARY

September 23, 2003

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INTRODUCTION

The Property Appraiser is a constitutional officer within the consolidated City of Jacksonville. As established in Article 10 of the Jacksonville Charter, the Property Appraiser is responsible for assessing all real and personal property in Duval County. The Property Appraiser's Office is governed by the Florida Statutes and the Jacksonville Municipal Code. Pursuant to Section 193.1142 of the Florida Statutes, the Department of Revenue is responsible for reviewing and approving the Property Appraiser's assessment roll on a yearly basis. This audit was performed during the previous Property Appraiser's administration. The newly elected Property Appraiser took office on July 1, 2003.

The Duval County Property Appraiser's Office is divided into four departments, which include Residential, Commercial, Land Records, and Administration. For fiscal year 2002/2003, the Property Appraiser's annual budget totaled \$6,618,730 and included 108 full-time positions. The City's general fund operational revenues for the 2002/03 approved budget of \$713,054,354 included ad valorem taxes of \$320,946,911 (45%), which are based on the property assessments made by the Property Appraiser's Office.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine whether the Property Appraiser is operating in compliance with the laws, rules, and regulations applicable to residential property assessments and exemptions.
2. To determine whether the Property Appraiser is operating in compliance with the laws, rules, and regulations applicable to commercial property assessments and exemptions; excluding the proper valuation of commercial assessments.
3. To determine whether all property sales from year 2001 were properly reflected on the 2002 tax roll.
4. To determine whether the Property Appraiser is operating in compliance with the laws, rules, and regulations in regards to cash collections and cash disbursements.
5. To determine whether the personal leave and attendance records of the Property Appraiser's Office are accurate, properly supported, and in accordance with the City's Leave Procedures.

AUDIT CONCLUSIONS

1. Residential properties are not physically inspected every three (3) years as required by Section 193.023 of the Florida Statutes. We also noted that the statement of annual income is not obtained annually from applicants to support the additional senior homestead exemption.
2. Commercial properties are not physically inspected every three (3) years as required by Section 193.023 of the Florida Statutes.
3. Property sales from 2001 were properly reflected on the 2002 tax roll.
4. Deposits are not made in accordance with the City's Cash Receipt Policies and we also found several weaknesses involving the cash collection and disbursement process.
5. The Property Appraiser is not complying with all aspects of the City's Appointed Officials and Employees Salary and Compensation Plan or the City Leave Procedures.

SIGNIFICANT WEAKNESSES AND FINDINGS

- Residential and commercial properties are not physically inspected by the Property Appraiser's Office every three years.
- A taxpayer receiving the additional senior homestead exemption is not required to submit an annual statement of income.
- Deposits are not made in accordance with the City's Cash Receipt Policies.
- Cash receipt books are generic and are not properly used or maintained.
- There were several weaknesses involving the Monthly Activity Report and the reconciliation of the bank account.
- There were two instances of 36 manual leave records reviewed where the manual records were adjusted to agree to the incorrect computer records.
- The Assistant Payroll Clerk signed his/her own leave request form or the leave request form was not signed at all.
- Several instances were found where an ex-employee's username was still functional for the "A+ appraisal" system.
- Employee passwords used to access the AS/400, the A+ Appraisal program, and the Windows network are not changed on a periodic basis.
- There is not a formal or documented process for granting or denying access to various functions to the AS/400 and the A+ Appraisal Program.

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



September 23, 2003

Report No. 583

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Jacksonville Municipal Code, we examined the activities of the Duval County Property Appraiser's Office and present this report thereon.

The Property Appraiser is a constitutional officer within the consolidated City of Jacksonville. As established in Article 10 of the Jacksonville Charter, the Property Appraiser is responsible for assessing all real and personal property in Duval County. The Property Appraiser's Office is governed by the Florida Statutes and the Jacksonville Municipal Code. Pursuant to Section 193.1142 of the Florida Statutes, the Department of Revenue is responsible for reviewing and approving the Property Appraiser's assessment roll on a yearly basis. This audit was performed during the previous Property Appraiser's administration. The newly elected Property Appraiser took office on July 1, 2003.

The Duval County Property Appraiser's Office is divided into four departments, which include Residential, Commercial, Land Records, and Administration. For fiscal year 2002/2003, the Property Appraiser's annual budget totaled \$6,618,730 and included 108 full-time positions. The City's general fund operational revenues for the 2002/03 approved budget of \$713,054,354 included ad valorem taxes of \$320,946,911 (45%), which are based on the property assessments made by the Property Appraiser's Office.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine whether the Property Appraiser is operating in compliance with the laws, rules, and regulations applicable to residential property assessments and exemptions.
2. To determine whether the Property Appraiser is operating in compliance with the laws, rules, and regulations applicable to commercial property assessments and exemptions; excluding the proper valuation of commercial assessments.
3. To determine whether all property sales from year 2001 were properly reflected on the 2002 tax roll.
4. To determine whether the Property Appraiser is operating in compliance with the laws, rules, and regulations in regards to cash collections and cash disbursements.
5. To determine whether the personal leave and attendance records of the Property Appraiser's Office are accurate, properly supported, and in accordance with the City's Leave Procedures.

STATEMENT OF SCOPE

The audit period for testing varied by objective. The 2002 tax roll was used as the basis for testing the residential and commercial properties (Objectives 1, 2 and 3). The bank activity from April 2002 through April 2003 was examined to test the cash collections and cash disbursements (Objective 4) and the leave records were obtained for the fiscal year beginning October 1, 2002 through April 11, 2003 (Objective 5).

STATEMENT OF METHODOLOGY

The methodology varied depending on the audit objective. Sample sizes and selections were made using the Stats sampling program v.1.1 and IDEA. We performed analysis as necessary as well as determined compliance with applicable laws and/or policies and procedures. We also evaluated the appraisal computer system to determine if there were adequate security and internal controls in place.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgements and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

We noted the following conclusions for each audit objective:

1. Residential properties are not physically inspected every three (3) years as required by Section 193.023 of the Florida Statutes. We also noted that the statement of annual income is not obtained annually from applicants to support the additional senior homestead exemption.
2. Commercial properties are not physically inspected every three (3) years as required by Section 193.023 of the Florida Statutes.
3. Property sales from 2001 were properly reflected on the 2002 tax roll.
4. Deposits are not made in accordance with the City's Cash Receipt Policies and we also found several weaknesses involving the cash collection and disbursement process.
5. The Property Appraiser is not complying with all aspects of the City's Appointed Officials and Employees Salary and Compensation Plan or the City Leave Procedures.

The Property Appraiser's responses to our findings and recommendations have been inserted in the body of this report and are attached as Exhibit A.

AUDIT OBJECTIVE #1

In order to determine that the Property Appraiser's Office is operating in compliance with laws, rules, and regulations applicable to residential property assessments and exemptions, we selected a random sample of residential properties and reviewed physical inspection dates, a three-year history of assessed values, homestead exemption qualifications and those taxpayers with a minimum tax bill of five dollars or less.

Internal Control Weakness #1-1

Proper controls have not been established to prevent property owners from claiming more than one homestead exemption.

Recommendation to Internal Control Weakness #1-1

We recommend that the Property Appraiser's Office review the homestead exemption process and test for possible duplicate homestead exemptions.

Possible controls that may be considered are:

- If possible, the AS400 system can be programmed to recognize a duplicate social security number and prompt the employee to investigate further. If the applicant is entitled to multiple exemptions the appropriate personnel could override the system.
- The duplicate social security number report could be made a priority. If duplicate social security numbers were identified further research would need to be performed in order to determine whether the exemptions are appropriate.

Response to Internal Control Weakness #1-1

While controls are in place to prevent duplicate Homestead Exemptions, we agree they are inadequate and are moving to correct this problem. Unfortunately, the prior administration routinely waived the requirement for providing proof of Florida residency, relying instead on the sworn statement on the application that asserts residency. Effective September 1, 2003, all applicants are required to provide proof of Florida residency. In addition, for the 2004 tax roll, taxpayers claiming the senior exemption (those over 65 years with modest income) will be required to produce a sworn statement of household income along with proof of age.

Presently, on an annual basis, the PAO runs a test for duplicate SSN's within the exemption process. In addition, the automatic exemption renewal run catches some duplicate numbers. Unfortunately, our current application software (KB-A+), which runs on an IBM AS400, does not have the ability to immediately identify duplicate SSN's within the property records database. This is a function of flat file data architecture. This issue will be remedied upon the conversion to a relational database in 2004 in a new Computer Assisted Market Appraisal system (CAMA). In the meantime, the PAO will increase the frequency of checking for duplicates. We will now complete this task at least semi-annually. Virtually all the data in the database will be reviewed and cleaned up during the conversion to the new CAMA.

Internal Control Weakness #1-2

Municipal Code Chapter 780.405-Annual Filing of Household Income Statement states "Any taxpayer claiming the additional homestead exemption must submit annually, not later than March 1 of each year, to the Property Appraiser, a sworn statement of household incomes. Such statement shall be on a form and under rules prescribed by the Florida Department of Revenue."

It was noted that the annual statement of income, which is required by the Florida Statutes and Municipal Code Chapter 780.405 when claiming the additional senior homestead exemption, is not obtained from the applicant on a yearly basis.

Recommendation to Internal Control Weakness #1-2

We recommend that the Property Appraiser meet the requirements of the Municipal Code Chapter 780.405, which requires that a sworn statement of household income be submitted annually from applicants of the additional senior homestead exemption.

Response to Internal Control Weakness #1-2

Effective with the 2004 tax roll, the PAO will comply with MCC 780.405 by requiring that taxpayers claiming the Additional Homestead Exemption for Seniors submit a sworn statement of income on an annual basis.

Finding #1-1

Florida Statutes section 193.023 (2) states “*When making his or her assessment of the value of real property, the property appraiser is required to inspect physically the property every three years to ensure that the tax roll meets all the requirements of law.*” Based on our review of 129 randomly selected residential properties, it was determined that only 29.5% of residential properties have been physically inspected by the Property Appraiser’s Office in the last three (3) years.

Recommendation to Finding #1-1

We recommend that the Property Appraiser’s Office comply with the Florida Statutes requirement of physically inspecting property, at a minimum, once every three (3) years.

Response to Finding #1-1

We are planning to significantly address this shortfall over the next three years. It should be noted that some properties, in particular larger income properties and significantly increasing neighborhood properties, may be currently inspected more often than every three years and some more homogenous residential properties are inspected much less frequently.

The inspection cycle is obviously limited by the adequacy of staff. Currently, the Duval PAO is understaffed compared to other similar sized counties in Florida. The new PAO administration is moving with all speed to address this problem area. We are and will be hiring additional field inspectors within our budget. We are anticipating productivity increases as a result of the new CAMA system that will alleviate some of the shortfall as well. In the 2004-2005 budget we will seek to significantly address this issue.

Finding #1-2

Section 780.101 of the Municipal Code, states that “*The Property Appraiser is instructed that he shall not make an extension on the tax roll for any parcel for which the tax will amount to less than five dollars*”. The 2001 Legislature enacted Chapter 2001-137, Laws of Florida, effective July 1, 2001, revising 197.212, Florida Statutes stating “*On the recommendation of the county tax collector, the board of county commissioners may adopt a resolution instructing the collector not to mail tax notices to a taxpayer when the amount of taxes shown on the tax notice is less than an amount up to \$30.*” At the time of the evaluation, the Administration decided that the minimum tax bill would remain at five dollars.

We selected a sample of residential properties in Duval County whose 2002 total tax bill was greater than zero but no more than five dollars to determine compliance of Section 780.101 with the Municipal Code and we noted no findings. We did note, however, that there were 542 residential tax bills greater than zero and less than five dollars totaling \$1,197.65 and 2,218 residential tax bills between five dollars and \$30 dollars totaling \$39,331.78.

Recommendation to Finding #1-2

Considering that these funds are split between four or in some cases five taxing authorities, we recommend that the Administration perform a cost/benefit analysis to determine if it would be beneficial to increase the minimum tax bill from five dollars to a maximum of \$30.

Response to Finding #1-2

We will implement the requested cost/benefit analysis using the 2003 tax roll provisions of MCC 780.101 and will report the results and make a recommendation to the City Council by March 31, 2004. We will be prepared to implement a new law, if passed by City Council, on the 2004 Truth in Millage Notices, which will be produced in August or September 2004.

AUDIT OBJECTIVE #2

In order to determine that the Property Appraiser's Office is operating in compliance with laws, rules, and regulations applicable to commercial property assessments and exemptions, we selected a random sample of commercial properties and reviewed physical inspection dates, exemption qualifications and those taxpayers with a minimum tax bill of five dollars or less. The valuation of assessments for commercial property was not tested due to the expertise required for valuing commercial property.

Finding #2-1

Based on our review of a random sample of 129 commercial properties and 50 downtown commercial properties, it was determined that only 24.8% and 26%, respectively, of commercial properties have been physically inspected by the Property Appraiser's Office in the last three (3) years.

Recommendation to Finding #2-1

We recommend that the Property Appraiser's Office comply with the Florida Statutes requirement of physically inspecting property, at a minimum, once every three (3) years.

Response to Finding #2-1

Please see Response to Finding #1-1 above.

Finding #2-2

In addition to the review done in Finding #1-2 above on residential properties, we selected a sample of commercial properties in Duval County whose 2002 total tax bill was greater than zero but no more than five dollars to determine compliance of Section 780.101 of the Municipal Code and we noted no findings. We did note, however, that there were 1,245 commercial tax bills greater than zero and less than five dollars totaling \$2,608.80 and commercial 1,464 tax bills between five dollars and \$30 totaling \$20,516.86. The residential tax bills (Finding #1-2) and commercial tax bills between five dollars and \$30 totaled 3,682 tax bills and \$59,848.64.

Recommendation to Finding #2-2

Considering that these funds are split between four or in some cases five taxing authorities, we recommend that the Administration perform a cost/benefit analysis to determine if it would be beneficial to increase the minimum tax bill from five dollars to a maximum of \$30.

Response to Finding #2-2

Please see Response to Finding #1-2 above.

AUDIT OBJECTIVE #3

In order to determine that all property sales from year 2001 were properly reflected on the 2002 tax roll, we randomly selected a sample from 2001 residential and commercial sales from the Clerk of the Court's website. We attempted to agree these properties to the 2002 tax roll to determine that the sale was properly reflected. Based on our review, all 2001 sales were properly reflected on the 2002 tax roll.

AUDIT OBJECTIVE #4

In order to determine that the Property Appraiser is operating in compliance with the laws, rules, and regulations in regards to cash collections and cash disbursements, we reviewed the Monthly Activity Reports, cash receipts, cleared checks and deposits made during April 2002 through April 2003.

Internal Control Weakness #4-1

We noted three weaknesses involving the preparation of the Monthly Activity Report and they are as follows:

1. A checkbook balance is not maintained. The funds available are determined from the daily investment report that is received from the bank.
2. A bank reconciliation is not performed. The Finance/Personnel Officer completes and submits a Monthly Activity Report to the General Accounting Division, which is considered by the Property Appraiser's Office to be its "bank reconciliation". However, following a review of the Monthly Activity Report, it was determined that this report only provides a summary of the bank activity rather than performing a reconciliation of the account. The Monthly Activity Report merely reflects information that is contained on the monthly bank statement and does not perform a true reconciliation between a checkbook balance and the bank's balance.
3. The functions that involve cash collections and disbursements are not properly segregated. The same individual makes deposits, writes checks, signs checks, receives the bank statement, and prepares the monthly activity report from the bank statement.

Recommendation to Internal Control Weakness #4-1

We recommend that the Property Appraiser utilize the City of Jacksonville's Administration and Finance Department to provide its full array of accounting services and eliminate the Property Appraiser's operating bank account. This would eliminate the need for the Property Appraiser to write checks, reconcile a bank account, and prepare a monthly activity report. The loss of the checking account may mean that the petty cash fund may be used more frequently. Meanwhile, we recommend that the Property Appraiser's Office begin maintaining the checkbook balance, perform a monthly reconciliation between their

checkbook balance and the bank balance, and implement a proper segregation of duties involving cash collections and disbursements.

Response to Internal Control Weakness #4-1

The new PAO administration agrees that holding a separate back account for the office is unnecessary and a duplication of services within the consolidated government. Effective immediately, we are moving to have all accounting functions previously handled independently of the City of Jacksonville merged into central city services within the Accounting and Finance Department, including checking, procurement, payroll and cash management. The PAO will retain a petty cash account in accordance with COJ standard procedures.

Internal Control Weakness #4-2

During our review of the cash receipts supporting cash collected of \$3,651.05 during our audit period, we noted that the Property Appraiser's Office uses generic cash receipt books to track cash collections. Since these books do not contain the City of Jacksonville or Property Appraiser's logo it would be extremely easy for duplicate copies of these books to be purchased at local stores and used to provide receipts to customers. We also noted that the cash receipt books are not properly used or maintained and are discarded after usage.

Recommendation to Internal Control Weakness #4-2

We recommend the Property Appraiser immediately explore methods to improve the efficiency and control over cash collections. That would require that all receipts be maintained in numerical order, that all numbers be accounted for and that the total of the day's cash/checks collected be agreed to the total of the cash receipts that will be used to prepare the bank deposit for the day.

Response to Internal Control Weakness #4-2

We have implemented and will continue to follow City regulations concerning the handling of small cash sales of maps, data sets and copies, including making deposits to the Tax Collector's office on a daily basis, whenever possible.

Finding #4-1

Based on our testing of the 2,566 cash receipts for the period of 3/27/02 through 4/10/03 it was determined that 75 cash receipts (3%) are unaccounted for. The cash receipts reviewed ranged in value from \$0.25 to \$250.00. We also found several instances where the deposit per the bank did not agree to the total cash receipts. There were 30 deposits of cash receipts from 4/9/02 through 4/11/03 and seven of the 30 did not agree to the bank deposit. Two were short and five were over resulting in a net overage of \$112.20

Recommendation to Finding #4-1

We recommend the Property Appraiser immediately explore methods to improve the efficiency and control over cash collections. That would require that all receipts be maintained in numerical order, that all numbers be accounted for and that the total of the day's cash/checks collected be agreed to the total of the cash receipts that will be used to prepare the bank deposit for the day.

Response to Finding #4-1

We agree with this finding and have implemented procedures to prevent the problem from recurring. Specifically, the PAO will properly record small cash receipts in a simple 3-part receipt book, which includes a PAO imprint, numerically referenced receipts; with one part to be attached to the corresponding bank deposit for proper reconciliation, one part to be maintained in file, and one part to remain attached in the book. After a book is retired, it will be maintained in file for three years.

Finding #4-2

Section I.F. General Standards of the City’s Cash Receipt Procedures state that “*All money received should be deposited the same day or the day after receipt, but must be either deposited in the bank or transmitted to the Tax Collector within one week.*” Section II. B. 11 –Funds, states that “*If the deposit is made other than daily, it is essential that cash receipts from different months are not commingled for deposit. Separate deposit tickets for funds received in different months will accomplish this.*”

Deposits were not made in accordance with the City Cash Receipt Policies. During our review of cash collections from March 27, 2002 to April 10, 2003 it was noted that deposits were made approximately once a month and cash receipts for different months were commingled for deposit.

Recommendation to Finding #4-2

We recommend that the Property Appraiser’s Office abide by the requirements of the City’s Cash Receipt Policies and that deposits be made the same day or at least the day after. In addition, we recommend that funds not be commingled between months.

Response to Finding #4-2

Please see Response to Internal Control Weakness #4-2 above.

AUDIT OBJECTIVE #5

In order to determine that the personal leave and attendance records of the Property Appraiser’s Office are accurate, properly supported, and in accordance with the City’s Leave Procedures, we selected a random sample of employees and reviewed their manual leave records, computer leave records, leave request forms and compensatory leave forms.

Finding #5-1

The City of Jacksonville Leave Procedures, Section VII, Reconciling Leave Balances by Pay Period, states that “*to insure the timely detection and correction of any errors in leave records, payroll clerks must reconcile, on a biweekly basis, manual leave record balances with leave balances which appear on the computerized Sick Leave and Vacation Report issued through the Personnel Department. Discrepancies between manual and computerized leave balances may occur, and are caused by either timing differences or by errors*”.

Of the 36 manual leave records reviewed, we noted two instances (5.6%) where the manual records were adjusted to agree to the incorrect computer records.

Recommendation to Finding #5-1

We recommend that an adjustment be made to the manual records so they reflect the correct leave balance and remain as a reconciling item until the computer records are corrected. In addition, we recommend that the Property Appraiser's Office get in contact with Human Resources in order to ensure that this matter is resolved as soon as possible. Any future inconsistencies should be addressed in a more reasonable time.

Response to Finding #5-1

During the prior administration two people variously handled leave requests and records. We have modified this so that only one person records leave slips and maintains balances. This change should prevent future inaccuracy in leave accounts.

Of the two employees mentioned herein, leave balances have been corrected subject to confirmation from City HR.

As suggested by this audit, our office has met with City HR with regard to these issues and we think we should not have similar problems in the future.

Finding #5-2

The City of Jacksonville Leave Procedures, Section II.D. states that the *“The payroll clerk must consult employee leave records to determine whether each employee has sufficient accrued balance to cover any leave taken during the weekly period. If an employee's use of leave exceeds his/her balance of available leave, the excess amount is leave without pay (LW). All instances of leave without pay must be clearly noted in the appropriate daily field of the department attendance records to insure that no employee receives pay for LW hours”*.

During our detailed testing of the leave request forms, it was noted that the Assistant Payroll Clerk signed his/her own leave request form or the leave request form was not signed at all for verification that there was sufficient time to cover leave requested.

Recommendation to Finding #5-2

We recommend that leave request forms for the Assistant Payroll Clerk be signed for verification of sufficient leave time by the Payroll Clerk.

Response to Finding #5-2

We agree with this recommendation and have now a policy in place that the PAO HR Division Chief will sign the payroll clerk's requests.

Finding #5-3

A Department Head or authorized designee is not signing the Bi-Weekly Leave Usage Report that is required to be signed per the City's leave procedures.

Recommendation to Finding #5-3

We recommend that the appropriate department head or authorized designee sign the “Bi-Weekly Leave Usage Report” and follow the instructions outlined on the form to ensure that accurate leave records are maintained on the computer system.

Response to Finding #5-3

We agree with this recommendation and have changed our practice accordingly.

Finding #5-4

Section 4.3 of the City's Appointed Officials and Employees Salary and Compensation Plan states that "For employees on a four-day, ten-hour-day workweek, who normally work Monday through Thursday, Friday holidays will be observed on the preceding Thursday. For employees on a four-day ten-hour-day workweek, who normally work Tuesday through Thursday, Monday holidays will be observed on the following Tuesday." Section 4.4 states that "Employees scheduled for eight (8) or ten (10) hour days, shall be compensated for the holiday at their respective rates of pay for eight (8) or ten (10) hours." The internal policy adopted by the Property Appraiser's Office conflicts with the City's Appointed Officials and Employees Salary and Compensation Plan.

Employees who work four ten-hour days are required to work five eight-hour days during holiday weeks. This policy results in ten-hour day employees taking more leave time than necessary during a holiday week. The Property Appraiser's employees are given the option of working four, ten-hour days or five, eight-hour days for a workweek. Employees who opt to work the four, ten-hour days have the option of taking either Monday or Friday off. The Property Appraiser has developed an internal policy stating that all employees must work 8-hour days during a holiday week. As a result, employees who normally work four ten-hour days are required to convert back to the eight/five workweek. As a result of this policy, the Property Appraiser is not in compliance with the City's Appointed Officials and Employees Salary and Compensation Plan.

Recommendation to Finding #5-4

We recommend that the Property Appraiser comply with the "City's Appointed Officials and Employees Salary and Employment Plan" Sections 4.3 and 4.4 regarding employees who work four-day, ten-hour-day workweeks.

Response to Finding #5-4

We have carefully considered the Auditor's comments regarding PAO holiday schedules for four-day/ten hour (4/10) employees. We respectfully disagree with your conclusion, however. Our policy of requiring 4/10 employees to conform to a five-day/eight hour (5/8) schedule during holiday weeks has the effect of requiring all employees to work an equal amount of time during holiday weeks (typically 32 regular hours and 8 holiday hours). The COJ Appointed Employees Plan 4.3 policy allows 4/10 workers an additional 2 hours of holiday pay versus those who normally work 5/8. Stated another way, if we adopted the City policy, 4/10 employees would only work 30 hours during holiday weeks, while 5/8 employees would work 32 hours. Hence we think our policy is fair and the COJ policy grants an unfair advantage.

In discussions on this matter, the CAO has agreed that the issue is debatable.

Finding #5-5

Chapter II of the City's Leave Procedures states that the Department shall use the preprinted standard Time and Attendance Record (PD-10) to record the following information: Department name, Division name, ...daily total hours worked, employee's signature, supervisor's signature, etc. This form is to be completed for each week of the fiscal year in order to record each employee's leave information for the week. Employees of the Property Appraiser's Office did not complete PD-10's for the period under audit. The internal policy of the Property Appraiser's Office does not require the completion of PD-10's.

Recommendation to Finding #5-5

We recommend that the Property Appraiser's Office begin complying with Chapter II of the City's Leave Procedures that requires the completion of the Time and Attendance Record (PD-10) for each employee.

Response to Finding #5-5

We previously agreed with this recommendation and are now requiring use of a modified PD-10 in the PAO. The only modification was that the form was customized to allow it to be entered on a computer rather than handwritten.

OTHER INTERNAL CONTROL WEAKNESSES

We evaluated the appraisal computer system to determine if there were adequate security and internal controls in place. We noted several weaknesses that are addressed below.

Other Internal Control Weakness #1

The appraisal system (A+ system) does not have an operations/procedures manual.

Recommendation to Other Internal Control Weakness #1

We recommend that the Property Appraiser's Office analyze the cost/benefit of documenting the current system. We recommend that the new appraisal system be well documented with an operations and procedures manual.

Response to Other Internal Control Weakness #1

As far as we can now tell, there seemed to be a miscommunication on this question during the field audit. Contrary to your report finding, the mass appraisal system (KB-A+) does have a user manual. We do not know why the CAO was not shown the manual. Or it may be that the manual was deemed inadequate. We agree that may be the case.

However going forward, it does not seem beneficial to rewrite or update a new CAMA procedure manual in that we will be using the current system for the last time for the 2004 tax roll.

Other Internal Control Weakness #2

The Property Appraiser does not have a formal or documented process for granting or denying access to various functions to the AS/400 and the A+ Appraisal Program (i.e. deletion of properties, changing exemption status, etc.). For example, when a new employee is hired, his/her level of access is merely copied from the same type of current position without thought given as to whether this level of access is appropriate or not. In addition,

users move from one department to another to temporarily assist other departments; thus, they require additional access. This additional access is not removed when they return to their “home” department.

Recommendation to Other Internal Control Weakness #2

We recommend that the Property Appraiser develop a formal written policy that details the procedures to be followed when a user requires increased or decreased access to the various functions of the system.

Response to Other Internal Control Weakness #2

In response to the initial concerns of the CAO field auditors, the PAO has initiated a review of all usernames with access to the CAMA, reassigned individual access levels and ceased recycling access codes. We are continuing a review of these procedures to address system security. In particular, all employee job functions are being reviewed to determine if appropriate levels of access are in place.

We have initiated the writing of a formal policy, which is presently in draft form. We expect that the final draft will be available for review by November 30, 2003. Modifications to the policy will be required as the new CAMA system is rolled out. Full implementation of a new security policy will be accomplished through the new CAMA system and its significantly improved audit trail. The 2005 tax roll will be produced entirely on the new system.

Other Internal Control Weakness #3

The Property Appraiser does not require that employee passwords used to access the AS/400, the A+ Appraisal program, and the Windows network be changed on a periodic basis. Having stagnant passwords for this length of time greatly increases the likelihood of “password creep”, i.e., passwords floating around to co-workers in deliberate or innocent attempts to circumvent various system measures. This creates a hazard in that auditing/tracking measures would be ineffective when administrators cannot be certain that whomever the system recorded as making an addition/change/deletion was actually the correct individual.

Recommendation to Other Internal Control Weakness #3

We recommend that the Property Appraiser develop a formal written policy that requires employees to change their system passwords on a periodic basis. Such a policy would also detail various password related topics such as complexity of, history retention, and password length.

Response to Other Internal Control Weakness #3

In response to this audit, the PAO is implementing a new written password policy. Given the different levels of systems and needs within the organization, we are experiencing some problems with the rollout of the policy. Currently, our network administrator has been tasked with reviewing those problems and recommending corrections. We expect that this process will be complete by December 31, 2003.

Other Internal Control Weakness #4

Several instances were found where an ex-employee’s username was still functional for the “A+ appraisal” system.

Recommendation to Other Internal Control Weakness #4

We recommend that formal “employee removal” procedures be assembled. These documents should dictate, step by step, the procedures to be followed when employees are terminated at the Property Appraiser’s Office.

Response to Other Internal Control Weakness #4

We agree and have removed any and all ex-employee usernames from any access, real or nominal, to the CAMA system. We now require that PAO HR report any terminated employees immediately to the Network Administrator to ensure that non-current usernames are promptly purged.

We would like to thank the new Property Appraiser and his staff for their cooperation and assistance during the completion of this audit.

Respectfully submitted,

Richard Wallace, CPA
Council Auditor

Audit Performed by:
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November 3, 2003

Mr. Richard Wallace, CPA
City Council Auditor
Suite 200, St James Bldg
117 W Duval St
Jacksonville FL 32202

Re: Response to Audit #583

Dear Mr. Wallace:

Attached is our response to your audit.

If I can be of further assistance, please do not hesitate to contact me at (904)
630-2014.

Sincerely,


James N. Overton
Property Appraiser

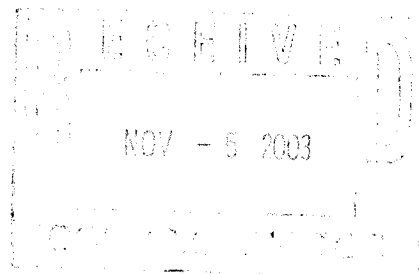


Exhibit A

Response to Internal Control Weakness 1-1 (page 3)
POSSIBLE DUPLICATE HOMESTEAD EXEMPTIONS

While controls are in place to prevent duplicate Homestead Exemptions, we agree they are inadequate and are moving to correct this problem. Unfortunately, the prior administration routinely waived the requirement for providing proof of Florida residency, relying instead on the sworn statement on the application that asserts residency. Effective September 1, 2003, all applicants are required to provide proof of Florida residency. In addition, for the 2004 tax roll, taxpayers claiming the senior exemption (those over 65 years with modest income) will be required to produce a sworn statement of household income along with proof of age.

Presently, on an annual basis, the PAO runs a test for duplicate SSN's within the exemption process. In addition, the automatic exemption renewal run catches some duplicate numbers. Unfortunately, our current application software (KB-A+), which runs on an IBM AS400, does not have the ability to immediately identify duplicate SSN's within the property records database. This is a function of flat file data architecture. This issue will be remedied upon the conversion to a relational database in 2004 in a new Computer Assisted Market Appraisal system (CAMA). In the meantime, the PAO will increase the frequency of checking for duplicates. We will now complete this task at least semi-annually. Virtually all the data in the database will be reviewed and cleaned up during the conversion to the new CAMA.

Response to Internal Control Weakness 1-2 (page 3)
REQUIREMENT FOR SWORN STATEMENTS OF INCOME BY SENIORS

Effective with the 2004 tax roll, the PAO will comply with MCC 780.405 by requiring that taxpayers claiming the Additional Homestead Exemption for Seniors submit a sworn statement of income on an annual basis.

Response to Internal Control Weakness 1-1 (page 3)
REQUIREMENT TO PHYSICALLY INSPECT EVERY PROPERTY EVERY THREE YEARS

We are planning to significantly address this shortfall over the next three years. It should be noted that some properties, in particular larger income properties and significantly increasing neighborhood properties, may be currently inspected more often than every three years and some more homogenous residential properties are

inspected much less frequently.

The inspection cycle is obviously limited by the adequacy of staff. Currently, the Duval PAO is understaffed compared to other similar sized counties in Florida. The new PAO administration is moving with all speed to address this problem area. We are and will be hiring additional field inspectors within our budget. We are anticipating productivity increases as a result of the new CAMA system that will alleviate some of the shortfall as well. In the 2004-2005 budget we will seek to significantly address this issue.

Response to Finding 1-2 (page 4)
ELIMINATION OF TRIM'S UNDER \$30

We will implement the requested cost/benefit analysis using the 2003 tax roll provisions of MCC 780.101 and will report the results and make a recommendation to the City Council by March 31, 2004. We will be prepared to implement a new law, if passed by City Council, on the 2004 Truth in Millage Notices, which will be produced in August or September, 2004.

Response to Finding 2-1 (page 4)
REQUIREMENT TO PHYSICALLY INSPECT EVERY PROPERTY EVERY THREE YEARS

Please see Response to Finding 1-1 above.

Response to Finding 2-2 (page 5)
ELIMINATION OF TRIM'S UNDER \$30

Please see Response to Finding 1-2 above.

Response to Internal Control Weakness 4-1 (page 5)
CONTROL OF PAO BANK ACCOUNTS

The new PAO administration agrees that holding a separate bank account for the office is unnecessary and a duplication of services within the consolidated government. Effective immediately, we are moving to have all accounting functions previously handled independently of the City of Jacksonville merged into central city services within the Accounting and Finance Department, including checking, procurement, payroll and cash management. The PAO will retain a petty cash

account in accordance with COJ standard procedures.

Response to Internal Control Weakness 4-2 (page 7)
CASH RECEIPT POLICIES

We have implemented and will continue to follow City regulations concerning the handling of small cash sales of maps, data sets and copies, including making deposits to the Tax Collector's office on a daily basis, whenever possible.

Response to Finding 5-1 (page 7)
MANUAL LEAVE RECORDS

During the prior administration two people variously handled leave requests and records. We have modified this so that only one person records leave slips and maintains balances. This change should prevent future inaccuracy in leave accounts.

Of the two employees mentioned herein, leave balances have been corrected subject to confirmation from City HR.

As suggested by this audit, our office has met with City HR with regard to these issues and we think we should not have similar problems in the future.

Response to Finding 5-2 (page 7)
APPROVAL OF PAYROLL CLERK'S LEAVE

We agree with this recommendation and have now a policy in place that the PAO HR Division Chief will sign the payroll clerk's requests.

Response to Finding 5-3 (page 8)
BI-WEEKLY LEAVE USAGE REPORTS

We agree with this recommendation and have changed our practice accordingly.

Response to Finding 5-4 (page 8)
COMPLIANCE WITH SECTION 4.3 OF THE COJ APPOINTED EMPLOYEES PLAN

We have carefully considered the Auditor's comments regarding PAO holiday schedules for four-day/ten hour (4/10) employees. We respectfully disagree with your

conclusion, however. Our policy of requiring 4/10 employees to conform to a five-day/eight hour (5/8) schedule during holiday weeks has the effect of requiring all employees to work an equal amount of time during holiday weeks (typically 32 regular hours and 8 holiday hours). The COJ Appointed Employees Plan 4.3 policy allows 4/10 workers an additional 2 hours of holiday pay versus those who normally work 5/8. Stated another way, if we adopted the City policy, 4/10 employees would only work 30 hours during holiday weeks, while 5/8 employees would work 32 hours. Hence, we think our policy is fair and the COJ policy grants an unfair advantage.

In discussions on this matter, the CAO has agreed that the issue is debatable.

Response to 5-5 (page 9)
USE OF PD-10 FORMS

We previously agreed with this recommendation and are now requiring use of a modified PD-10 in the PAO. The only modification was that the form was customized to allow it to be entered on a computer rather than handwritten.

Responses to Recommendations on other Internal Control Weaknesses:

Issue #1 (Page 9)
LACK OF OPERATIONS/PROCEDURE MANUAL FOR CAMA

As far as we can now tell, there seemed to be a miscommunication on this question during the field audit. Contrary to your report finding, the mass appraisal system (KB A+) does have a user manual. We do not know why the CAO was not shown the manual. Or it may be that the manual was deemed inadequate. We agree that may be the case.

However going forward, it does not seem beneficial to rewrite or update a new CAMA procedure manual in that we will be using the current system for the last time for the 2004 tax roll.

Issue #2 (page 9)
LACK OF CONTROLS ON ACCESS TO CAMA

In response to the initial concerns of the CAO field auditors, the PAO has initiated a review of all usernames with access to the CAMA, reassigned individual access levels

and ceased recycling access codes. We are continuing a review of these procedures to address system security. In particular, all employee job functions are being reviewed to determine if appropriate levels of access are in place.

We have initiated the writing of a formal policy, which is presently in draft form. We expect that the final draft will be available for review by November 30, 2003. Modifications to the policy will be required as the new CAMA system is rolled out. Full implementation of a new security policy will be accomplished through the new CAMA system and its significantly improved audit trail. The 2005 tax roll will be produced entirely on the new system.

Issue #3 (page 9)
LACK OF PASSWORD POLICY

In response to this audit, the PAO is implementing a new written password policy. Given the different levels of systems and needs within the organization, we are experiencing some problems with the rollout of the policy. Currently, our network administrator has been tasked with reviewing those problems and recommending corrections. We expect that this process will be complete by December 31, 2003.

Issue #4 (page 10)
REMOVAL OF EX-EMPLOYEE USERNAMES

We agree and have removed any and all ex-employee usernames from any access, real or nominal, to the CAMA system. We now require that PAO HR report any terminated employees immediately to the Network Administrator to ensure that non-current usernames are promptly purged.

Response to Finding 4-1 (page 6)
HANDLING OF SMALL CASH RECEIPTS

We agree with this finding and have implemented procedures to prevent the problem from recurring. Specifically, the PAO will properly record small cash receipts in a simple 3-part receipt book, which includes a PAO imprint, numerically referenced receipts; with one part to be attached to the corresponding bank deposit for proper reconciliation, one part to be maintained in file, and one part to remain attached in the book. After a book is retired, it will be maintained in file for three years.