



**Audit of Property Appraiser's Office – Portability Calculation – #797  
Executive Summary**

***Why CAO Did This Review***

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. The Duval County Property Appraiser is a constitutional officer within the consolidated City of Jacksonville. The Property Appraiser is responsible for assessing all real and personal property within Duval County as established in Article 10 of the City's Charter. The focus of our audit was on portability calculations.

The Florida Statutes allow a homeowner moving from one property in Florida to another property in Florida to transfer part (or all, in some instances) of their homestead exemption from their previous homestead property to a new homesteaded property. This transfer amount is referred to as the "Save Our Homes" (SOH) portability transfer amount. This enables a Florida homestead property owner to lower their taxable value on a new home. In order to transfer the SOH benefit, an owner must establish a homestead exemption for the new home within two years of January 1 of the year the old homestead was abandoned.

***What CAO Found***

Overall, the Property Appraiser correctly calculated the "Save Our Homes" portability transfer amount, with few issues found. Specifically,

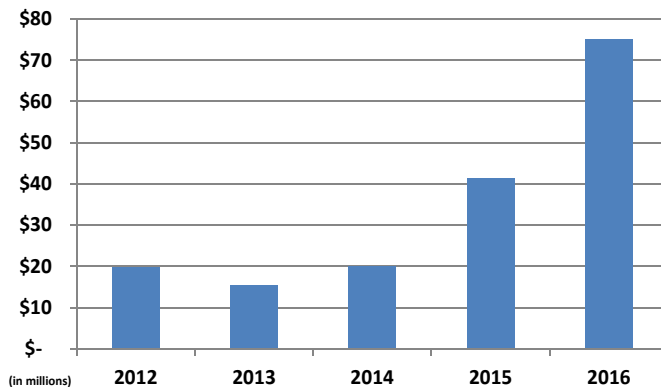
- We found one individual that received a homestead exemption and a portability transfer on two separate properties during the 2016 tax roll.
- We found three properties that received an incorrect portability transfer amount. Two of these were related to the 2016 tax roll which resulted in a net overpayment of \$38.49 and one was related to the 2017 tax roll which means it still can be corrected prior to being billed.

***What CAO Recommends***

Based on what we found, we have the following recommendations:

- The Property Appraiser's Office should run the duplicate social security query at an earlier time and potentially more often in order to catch fraudulent applications as soon as possible.
- The Property Appraiser's Office should continue to run existing queries and implement new queries that will help identify the issues we noted.

**Total Duval County "Save Our Homes" Portability Reduction in Assessed Value**





**Council Auditor's Office**

**Audit of Property Appraiser's Office – Portability Calculation**

**March 29, 2017**

**Report #797**

**Released on : June 15, 2017**

**EXECUTIVE SUMMARY**

**AUDIT REPORT #797**

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



March 29, 2017

Report #797

Honorable Members of the City Council  
City of Jacksonville

**INTRODUCTION**

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. Additionally, pursuant to Section 5.10 of the City of Jacksonville Charter, all agencies of the Consolidated Government are subject to audit by the Council Auditor's Office.

The Duval County Property Appraiser is a constitutional officer within the consolidated City of Jacksonville. The Property Appraiser is responsible for assessing all real and personal property within Duval County as established in Article 10 of the City's Charter. The Property Appraiser's Office (PAO) is governed by 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. The City Council approved budget for fiscal years 2015/16 and 2016/17 totaled approximately \$10.1 million and \$10.3 million, respectively. The main source of funding for the PAO is a contribution from the City's General Fund/ General Services District which was \$9.7 million and \$9.8 million in fiscal years 2015/16 and 2016/17, respectively.

The Florida Statutes allow a homeowner moving from one property in Florida to another property in Florida to transfer part (or all, in some instances) of their homestead exemption from their previous homestead property to a new homesteaded property. This transfer amount is referred to as the "Save Our Homes" (SOH) portability transfer amount. This enables a Florida homestead property owner to lower their taxable value on a new home. In order to transfer the SOH benefit, an owner must establish a homestead exemption for the new home within two years of January 1 of the year the old homestead was abandoned.

The Duval County 2015 tax roll included 1,818 parcels that received the SOH portability amount at a value of \$41,380,144. The 2016 tax roll included 2,515 parcels that received the benefit at a value of \$75,125,916.

**STATEMENT OF OBJECTIVES**

To determine whether the Property Appraiser correctly calculated the "Save Our Homes" portability transfer amount.

## **STATEMENT OF SCOPE AND METHODOLOGY**

The scope of this audit was portability applications processed from July 1, 2015 through December 31, 2016 for homes purchased on or after July 1, 2015.

We conducted staff interviews to obtain an understanding of the application process. We reviewed applicable rules, laws, and regulations regarding the SOH portability transfer option. We also reviewed information system controls that were relevant to portability application processing.

We obtained a list of all completed portability applications for the audit period from the Property Appraiser, totaling 2,444 applications. We also obtained a listing of all home purchases for the audit period, as well as two years prior to the audit period, using the Duval County's Clerk of Court's website. The purpose of obtaining the listing from the Clerk's website was to generate a listing of home buyers who had a possibility of transferring part of their Homestead value in Duval County.

- 1) Based on how we pulled the listing from the Clerk's website, only one of the buyers' names was listed even if there was more than one buyer. Due to that issue, it was possible that not all applicants on the list from the Property Appraiser would appear on the listing from the Clerk's website. We found that 1,873 out of 2,444 (76.6%) portability applicants matched as having purchased a home within Duval County per the Clerk's data for the audit period. That means 571 out of 2,444 (23.4%) portability applicants did not match with the data extracted from the Clerk's website for the audit period. Of the 571 that did not match, 52 of the applicants were determined to be duplicate properties that had identical real estate numbers, but had different applicant names. We removed each of the duplicates from further testing. This left us with a total of 519 applicants that we were not able to systematically match to a property purchase. To address this issue, we selected a sample of 50 applications (10 of 61 applicants with a home purchase prior to 7/1/15 and 40 of 458 applicants with a home purchase on or after 7/1/15). We performed the following steps for each sample item:
  - a) We verified whether a home was purchased within the timeframe for which the portability application was submitted;
  - b) We verified whether the portability amount was calculated correctly in comparison to the amount listed on the Property Appraiser's website.
  - c) We confirmed accuracy of amount by:
    - i) identifying the assessed and market values for the current and previous home;
    - ii) identifying the number of owners for each of the properties;
    - iii) searching the previous county's Property Appraiser website using the county parcel number to find the information we needed, if the applicant's previous homestead residence was outside of Duval County.
- 2) As noted with the verification that the applicant had purchased a home in Duval County, we had the same issue with our step verifying that the applicants had sold a home in Duval County when we matched the listing of applicants from Duval County to the Clerk's list. Of the 2,444 applicants, we were able to verify that 1,240 had sold a home within Duval County after July 1, 2013. Also, 26 of the remaining were duplicates. That

meant we were not able to verify that 1,178 had sold a home since July 1, 2013. Of the 1,178 applications, 450 applications were marked as transfers from outside Duval County, which meant that only 728 were transfers within Duval County. We selected a sample of 50 applications from 728 applications from within Duval County that did not show as having a sale in the Clerk's data. We then determined whether the applicant had purchased a home within two years of January 1 of the year the applicant abandoned the old property (not two years after the sale), as required by the Florida Statutes. We achieved this by using the Clerk's and Property Appraiser's websites to review deeds confirming the sale of the properties or abandonment of the homestead on the properties.

- 3) We also selected a random sample of 100 records from the listing from the Clerk's website in order to determine whether any of the buyers could have been eligible for a portability transfer but did not receive one. Of the 100, we first determined whether any names appeared on the list of portability applications we received from the Property Appraiser and found four. For the 96 that did not, we identified the year that the new property was purchased and researched whether a homestead was placed on the new property. We then searched the name associated with the record on the Clerk's website to obtain the year when the applicant last owned a property (if ever). Next, we went to the Property Appraiser's website to determine whether they received a homestead exemption on that property to determine whether they could have been eligible for a transfer.
- 4) We selected a separate random sample of 100 applicants from the Property Appraiser's list and recalculated their portability amounts based on the requirements of the Florida Statutes. We used the market and assessed values of the current and previous home available from the Property Appraiser's website. We determined whether the current property had a homestead amount transferred to it. We also confirmed that the applicant truly was eligible for a portability transfer.
- 5) In addition, we performed analytical testing on the property appraiser data to ensure overall reasonableness. We recalculated the ten largest portability amounts, any applications of a Property Appraiser employee with the ability to process a portability transfer, and any names or real estate numbers that repeated on the property appraiser's list.

## **REPORT FORMAT**

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

## **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 conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

## **AUDITEE RESPONSES**

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Property Appraiser's Office, via Jerry Holland, Property Appraiser, in a memorandum dated June 13, 2017.

## **AUDIT CONCLUSION**

Overall, the Property Appraiser correctly calculated the "Save Our Homes" portability transfer amount, with few issues found.

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## **AUDIT OBJECTIVE**

**To determine whether the Property Appraiser correctly calculated the "Save Our Homes" portability transfer amount.**

### ***Finding 1 \*Homestead Exemption and Portability Transfer on More Than One Property\****

During our testing, we found several applicants in our population of portability applications that had the same name. Upon further review, we discovered that the two applicants were the same individual, and the applicant received a homestead exemption and a portability transfer on two separate properties in 2016. He was the sole owner of both properties as well. The owner was billed approximately \$600 less in taxes for 2016 due to receiving a homestead exemption and portability transfer on both properties.

Per the Florida Statutes, the owner should not be able to claim a homestead exemption and portability transfer on more than one property in the same year. Per the PAO, this appears to be a case of fraud because the applicant applied separately for homestead on the two properties using two different social security numbers.

### **Recommendation to Finding 1**

We recommend that the Property Appraiser's Office run the duplicate social security query at an earlier time and potentially more often in order to catch fraudulent applications as soon as possible.

**Auditee Response to Finding 1**

Agree                       Disagree                       Partially Agree

*We agree with this recommendation.*

**Finding 2 \*Incorrect Portability Amounts\***

We recalculated 168 portability application amounts which had a total portability amount of \$8,532,743. We discovered issues with three (3) of them. Specifically, we found:

1. One of the properties received a portability amount that was \$5,000 too much. The issue was caused by not splitting a property value correctly between the homeowner and their former spouse. This resulted in the homeowner being billed \$93.20 less than they should have for the 2016 tax roll.
2. One property received a portability amount that was \$7,389 less than it should have been. This error resulted in the homeowner paying \$131.69 more than they should have for the 2016 tax roll (\$137.17 less 4% discount for paying early).
3. One property received a portability amount that was \$45 less than it should have. The valuation of this property is under the 2017 tax roll that has not yet been certified; therefore, there had not yet been an overbilling. Please note, if this had applied to the 2016 tax roll, this would have resulted in an overbilling of only \$0.84.

**Recommendation to Finding 2**

We recommend that the Property Appraiser's Office continue to run existing queries and implement new queries that will help identify these types of mistakes.

**Auditee Response to Finding 2**

Agree                       Disagree                       Partially Agree

*We agree with this recommendation.*



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We appreciate the assistance and cooperation we received from the Property Appraiser's Office through the course of this audit.

Respectfully submitted,

Kyle S. Billy, CPA  
Council Auditor

Audit Performed By:

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