

**Follow-Up Audit
of the
Orange County Tax Collector's
Office**

**Report by the
Office of County Comptroller**

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**Report No. 312
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March 11, 2002

The Honorable Earl K. Wood, Orange County Tax Collector

We have conducted a follow-up audit of the Orange County Tax Collector's Office. Our original audit included the period of October 1, 1993 to June 30, 1995. Testing of the status of the previous Recommendations for Improvement was performed the period October 1, 2000 through January 31, 2001. Our follow-up was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous condition and the previous recommendation. Following the recommendations is a summary of the current status as determined in this review. In addition, senior management in your Office elected to include responses to certain recommendations included in this report. Their responses are incorporated herein.

We appreciate the cooperation of the personnel of your Office during the course of the follow-up.

Martha O. Haynie, CPA
County Comptroller

c: Board of County Commissioners

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

**FOLLOW-UP AUDIT OF ORANGE COUNTY TAX COLLECTOR'S OFFICE
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Tax Collector's Office modifies its purchasing policy to require the following:				
A)	A formal bid process addressing the use of competitive sealed bids and competitive sealed proposals.		X		
B)	Price quotations for purchases between \$1,000 and \$10,000.	X			
C)	Public solicitation/advertising for purchases above a set dollar limit.			X	
D)	Written justification for sole source purchases.			X	
2.	We recommend the Tax Collector's Office complies with their purchasing policy for competitive solicitation, vendor selection, and receiving reports.	X			
3.	We recommend the Tax Collector's Office considers utilizing the purchase order module in the accounting system to issue purchase orders. In addition, the purchase order system be revised to include the following:				
A)	Use of purchase orders to acquire all goods and services, when applicable.	X			
B)	Use sequentially pre-numbered purchase order forms.	X			
C)	Use separate forms for purchase requisitions and purchase orders.	X			
4.	We recommend the Tax Collector's Office strengthens internal controls by performing the following:				
A)	Segregate duties in the purchasing process.	X			

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4. B)	Segregate the duties in the accounting functions.	X			
C)	Institute procedures to ensure that checks are not signed until after proper review and approval.	X			
D)	Establish a logbook to account for unused checks.	X			
5.	We recommend the Tax Collector's Office competitively bids the legal services contract and requires attorney billings to specify hours worked for each activity on the invoice.	X			
6.	We recommend the Tax Collector's Office expands its personnel policies and develops written procedures for the execution of the policies.		X		
7.	We recommend the Tax Collector's Office performs a detailed salary analysis and develops pay grades. Job positions should be "slotted" within those pay grades based on importance to the organization, market value, and required qualifications.		X		
8.	We recommend an interview selection worksheet be developed.		X		
9.	We recommend performance evaluations be prepared for all employees. Further, the employee handbook should be amended to require that all evaluations be documented.	X			
10.	We recommend the Tax Collector's Office utilizes specific criteria to determine whether or not an employee receives a merit increase or, if pay for performance is utilized, the amount of merit increase received.			X	
11.	We recommend promotions and position changes be adequately documented.	X			

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12.	We recommend the Tax Collector's Office:				
A)	Not allow employees to accrue leave while on unpaid leave of absence.	X			
B)	Not allow accrued leave to exceed the maximum amount allowed.	X			
C)	Consider computerizing the leave accounting process to improve recording and reporting of employee leave time.	X			
13.	We recommend the Tax Collector's Office segregates the personnel and payroll functions to the extent possible.	X			
14.	We recommend the Tax Collector's Office promptly notifies the insurance carrier of benefits termination for terminated employees.	X			
15.	We recommend the Tax Collector's Office develops a comprehensive written investment policy.	X			
16.	We recommend the Tax Collector's Office develops supplemental terms and conditions for the Master Repurchase Agreement specifying the delivery of transactions method, collateral requirements, purchased securities requirements and margin ratio requirements.	X			
17.	We recommend procedures be established to process and deposit funds within two days of receipt.	X			
18.	We recommend the Tax Collector's Office institutes a refund procedure that includes pre-numbered forms and approval at the Agency level by the manager or a designated assistant.	X			

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19.	We recommend the Tax Collector's Office continues to work with the governmental entity owning land in which delinquent taxes are due to ensure these taxes due are paid.		X		
20.	We recommend the Tax Collector's Office:				
A)	Assigns responsibility for the receipt of funds from the sale of listings to an individual not involved in the production (creation) of the listings.		X		
B)	Establishes a tracking system that traces the listings from the point of request to the point of sale and collection of monies or disposition when they become obsolete.	X			
21.	We recommend the Tax Collector's Office ensures that a written contract is obtained for all agreements where a "piggy-back" arrangement is entered into with a vendor representing costs and benefits of a governmental agency contract.	X			
22.	We recommend:				
A)	An independent party reviews checks (check listing) before they are sent out to the payee. Evidence of this requirement should be retained.	X			
B)	The Administrator of Accounting reviews the bank reconciliations to ensure transactions on the bank statement are appropriate. Evidence of this review should be retained.	X			

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22. C)	Internal controls be established to adequately segregate the duties of physical handling, and depositing of monies from the record keeping and bank reconciliation procedures.	X			
23.	We recommend the Tax Collector's Office deposits monies and issues refund checks for all duplicate payments received.	X			
24.	We recommend supporting documentation be reviewed and maintained for refunds to ensure their validity.	X			
25.	We recommend the Tax Collector's Office prepares a procedures manual for the Accounting Department.	X			

INTRODUCTION

INTRODUCTION



Scope and Methodology

The audit scope was to determine the status of the Recommendations for Improvement noted in the previous audits of the Orange County Tax Collector's Office. These audits, dated May of 1996, included areas of Purchasing Policies and Procedures; Personnel and Payroll Policies and Procedures; and Financial Controls and Revenue Collection Procedures. Testing of the status of previous recommendations was performed for the period of October 1, 2000 through January 31, 2001. The Recommendations for Improvement in this report relate to the following original reports:

REPORT TITLE	RECOMMENDATIONS FOR IMPROVEMENT
Purchasing Policies and Procedures	1 through 5
Personnel and Payroll Policies and Procedures	6 through 14
Financial Controls and Revenue Collection Procedures	15 through 25

The objectives of the audit program were to determine whether the recommendations from the previous audit have been implemented, partially implemented, or not implemented.

To determine the status of the purchasing policies and procedures recommendations, we reviewed the written purchasing policies and procedures for a formal bid process addressing the use of competitive sealed bids and competitive sealed proposals, a requirement for obtaining price quotations for purchases between \$1,000 and \$10,000, whether using public solicitation/advertising for purchases above a set dollar limit was addressed, and whether providing written justification for sole source purchases had been addressed. We selected a sample of ten purchases and tested whether the Tax Collector's Office complied with

their purchasing policy for competitive solicitation, vendor selection, and receiving reports.

We determined, by inquiring of management and reviewing documentation, whether the Tax Collector's Office has considered utilizing the purchase order module in the accounting system to issue purchase orders. In addition, we reviewed purchases to determine the following: whether the purchase order system has been revised to include the use of purchase orders to acquire all goods and services, when applicable; whether sequentially pre-numbered purchase order forms are being used; and whether there are separate forms for purchase requisitions and purchase orders.

We determined whether the Tax Collector's Office has strengthened internal controls over purchasing by reviewing the segregation of duties in the purchasing process and accounting functions. Through observation, we determined whether a procedure has been implemented to ensure that checks are not signed until after proper review and approval. We also checked whether a logbook had been created to account for unused checks.

We determined whether the Tax Collector's Office has competitively bid for legal services by inquiring of management and reviewing the Request for Information for Legal Services. In addition, we reviewed invoices for legal services to verify whether the hours worked for each activity have been included on the invoices.

To determine the status of the payroll and personnel policies and procedures recommendations, we reviewed employee handbooks and manuals to determine whether the Tax Collector's Office had enhanced their personnel policies and developed written procedures for the execution of these policies. We determined, by inquiring of management, whether the Tax Collector's Office had developed employee position classification and pay ranges by performing a detailed salary study.

We reviewed personnel files of employees hired during the audit period to verify that an interview selection worksheet had been used or the hiring process had been otherwise documented. We reviewed personnel files to determine whether performance evaluations are being prepared for all employees. In addition, we reviewed the employee handbook to verify a requirement has been added for all evaluations to be documented.

We determined whether the Tax Collector's Office has developed criteria for awarding merit increases by reviewing the employee handbook, inquiring of management, and scanning salary increases on performance evaluations.

To determine whether the Tax Collector's Office leave accounting system has been improved, we reviewed leave records of employees on unpaid leaves of absences during the audit period and verified that the employees are not permitted to accrue leave while on unpaid leave of absence. We reviewed a sample of employee records and verified employees are not permitted to accrue leave above the maximum amount allowed. We determined whether the leave accounting system has been computerized by inquiring of management and inspecting computerized leave reports.

We interviewed the employees who perform personnel and payroll functions and ensured the duties between these functions have been segregated to the extent possible. We reviewed the personnel files of employees who terminated their employment during the audit period and verified the health insurance carrier is promptly notified of the employee's effective date of termination.

To determine the status of the financial controls and revenue collection recommendations, we inquired of management and reviewed documentation to assess whether the Tax Collector's Office has developed a comprehensive written investment policy. We reviewed the Tax Collector's Office

Master Repurchase Agreement and verified that supplemental terms and conditions have been developed and included.

To determine whether procedures have been established to process and deposit funds in a timely manner, we selected a sample of tax payments received by the Tax Collector's Office during the peak time and verified that procedures are in place to deposit funds in a timely manner.

We reviewed refunds processed during the audit period and verified that the refund form used is pre-numbered and approved at the Agency level by the manager or a designated assistant.

To determine the status of the delinquent taxes due by the governmental entity owning land that is leased to a non-governmental entity, we inquired of management on whether the Tax Collector's Office has been working with this governmental entity to resolve this matter.

To determine whether procedures for the sale of listings sold by the Tax Collector's Office have been strengthened, we interviewed employees involved in the revenue collection process for adequate segregation of duties. We also observed whether the inventory system is in place to account for the listings.

We determined whether a written contract has been obtained for all arrangements entered into under another governmental entity's contract by inquiring of management and reviewing various contracts.

To determine whether controls have been strengthened in the Accounting Department, we inquired of management and observed checks being issued and verified evidence of an independent review of the supporting documentation. We verified that bank reconciliations contained evidence of review. We also interviewed the employees in the Accounting Department to determine whether internal

controls have been established to adequately segregate the duties of physical handling and depositing of monies from the record keeping and bank reconciliation procedures.

To determine whether the Tax Collector's Office has strengthened controls over the refunding of monies, we observed documentation supporting refunds for Occupational License accounts to ensure funds are deposited and refund checks issued for accounts previously paid. We reviewed refunds and ensured they have been approved and supporting documentation is on file. We determined whether the Tax Collector's Office has prepared a procedures manual for the Accounting Department and then reviewed it for controls.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



1. The Tax Collector's Office Should Improve Its Purchasing Policy

The written purchasing policy did not adequately address provisions needed to ensure the procurement process was fair and open to all. During our previous review, we noted the following:

- A) The purchasing policy did not contain provisions for the use of a formal solicitation process.
- B) The policy did not require competition for purchases under \$10,000.
- C) The policy did not have a provision for public solicitation/advertising.
- D) There was no requirement for written justification of sole source purchases.

We Recommend the Tax Collector's Office modifies its purchasing policy to require the following:

- A) A formal bid process addressing the use of competitive sealed bids and competitive sealed proposals.
- B) Price quotations for purchases between \$1,000 and \$10,000.
- C) Public solicitation/advertising for purchases above a set dollar limit.
- D) Written justification for sole source purchases.

Status:

- A) Partially Implemented. While the use of formal bids is mentioned in the Purchasing Procedures Manual, no dollar amounts are mentioned for when their use is required. In addition, there is no language detailing



competitive sealed bids or proposals, except for a reference to the form to be used and that there should be a deadline for quotes.

We Again Recommend the Tax Collector's Office expands its purchasing policy in regards to a formal bid process addressing the use of competitive sealed bids and competitive sealed proposals.

Management's Response:

Concur. Our Purchasing Procedures Manual has a formal bid process addressing the use of competitive sealed bids and competitive sealed proposals. Our budget is approved by the Florida Department of Revenue. The Tax Collector's Office works with DMV in order to provide services to the public. On certain technical equipment, we must purchase equipment that meet their requirements and use the vendor they approve. We will add to our purchasing policy the following:

- We will have a statement documenting each purchase order as applicable where equipment must be purchased to meet DMV requirements.
- Purchases with existing contracts that include a renewable clause must be approved by the Assistant Tax Collector or Director of Administrative Services.
- We will add to the purchase order the following statement as it applies: compatibility to existing equipment shall be an acceptable justification for waiver of bidding procedures provided it is approved by the Assistant Tax Collector or Director of Administrative Services.

- B) Implemented. The current policy for purchases states informal bids, consisting of three bids or quotes, are required on merchandise over \$100. However, the

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policy does not state whether the bids should be written or oral. Written quotes should be required for purchases over a certain dollar amount (such as \$2,500).

We Recommend written price quotations be required for purchases above a set dollar amount.

- C) Not Implemented. The Purchasing Procedures Manual does not address the use of public solicitation/advertising.

We Again Recommend the Tax Collector's Office expands its purchasing procedures to address the use of public solicitation/advertising.

Management's Response:

Concur. The Tax Collector's Office maintains a Vendor List of manufacturers, vendors, agents, etc. that have been used in our office and is updated with vendors who request to be added. During the purchasing process, the Tax Collector's Office reviews the County M/WBE listings and when possible, gives them the opportunity to bid. Currently, we do this on all purchases over \$500.00 and have added it to our written policy that it is required to have a minimum of three bids (one of which shall be a certified M/WBE firm if available) for each item or group of items. These bids may be written or oral (with proper documentation), at the discretion of the Assistant Tax Collector or Director of Administrative Services for purchases between \$500.00 and \$25,000. We will also add to our purchasing policy the following:

- Public solicitation/advertising for purchases over \$25,000 will request formal sealed bids unless a requirement prohibits it.

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- Purchases in any amounts may be made against established State of Florida and Federal GSA term contracts without bidding, provided they are in the best interest of this office.

The Assistant Tax Collector and Director of Administrative Services have the authority to waive bid requirements in emergency circumstances.

- D) Not Implemented. The Purchasing Procedures Manual does not address providing written justification for sole source purchases.

We Again Recommend the Tax Collector's Office expands its purchasing procedures to address providing written justification for sole source purchases.

Management's Response:

Concur. We will add the following to our purchasing policy:

- Purchases of supplies, equipment and contractual services from a single source are exempt from bid requirements upon certification by the Assistant Tax Collector or Director of Administrative Services stating the conditions why the item is the only one that will produce the desired results. Compatibility to existing equipment shall be an acceptable justification for waiver of bidding procedures.

2. The Tax Collector's Office Should Comply With Their Established Purchasing Policies

As noted in the previous review, the Tax Collector's Office was not in compliance with their established purchasing procedures. We noted the following:

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- A) Five purchases in excess of \$10,000 were made without competition.
 - B) The documentation on file for purchases did not show the process and criteria used to select the vendors.
 - C) Sixty-seven percent (4 of 6) of the purchases examined did not have receiving reports where necessary.

We Recommend the Tax Collector's Office complies with their purchasing policy for competitive solicitation, vendor selection, and receiving reports.

Status:

Implemented. Based on our testing, we noted that the Tax Collector's Office was complying with their written purchasing procedures. Testing indicated quotes were obtained where applicable and all receiving reports were on file.

3. The System of Issuing Purchase Orders Should Be Revised

During our review of the purchase order issuance process, we noted the following concerns:

- A) The Tax Collector's Office did not always issue purchase orders for commitments to purchase in instances where purchase orders should have been used. Our examination of fifteen purchases revealed that purchase orders were not issued in seven out of eight cases where they should have been used.
- B) Purchase orders were not pre-numbered or sequentially numbered when issued. In addition, no log was maintained of purchase orders issued.

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- C) The same form was used both as a purchase requisition and purchase order. A purchase requisition should be used to request purchases of goods/services and a purchase order represents a contract to purchase goods/services.

We Recommend the Tax Collector's Office considers utilizing the purchase order module in the accounting system to issue purchase orders. In addition, the purchase order system be revised to include the following:

- A) Use of purchase orders to acquire all goods and services, when applicable.
- B) Use sequentially pre-numbered purchase order forms.
- C) Use separate forms for purchase requisitions and purchase orders.

Status:

- A) Implemented. The Tax Collector's Office purchased a new accounting system since the previous audit and utilizes the purchase order module to issue purchase orders. Purchase orders are used to acquire all goods and services, when applicable. They are used on a regular basis for maintenance and repairs, equipment, computer parts and equipment, and furniture.
- B) Implemented. Purchase orders are numbered by the computer and the purchasing specialist keeps a log of these numbers. Blank purchase orders are kept in a locked cabinet.
- C) Implemented. The Tax Collector's Office uses separate forms for both purchase requisitions and purchase orders.



4. The System of Internal Controls Should Be Strengthened

During our prior audit of the purchasing process and related internal controls, we had the following concerns:

- A) Adequate segregation of duties did not exist between the ordering and receiving of goods and the recording and custodial functions. The EDP Operations Supervisor ordered computer related office supplies and received the goods when they arrived. In addition, the Office Supplies Coordinator prepared and approved purchase orders and received the goods when they arrived.
- B) The Administrative Services employee recorded invoices into the accounting system, had custody over blank checks, and prepared and mailed vendor's checks.
- C) At times, checks were signed before the review and authorization by the Director of Administrative Services was completed.
- D) A logbook to account for unused checks was not maintained. The inventory of unused checks, number of checks removed, date removed, and person removing checks was not recorded.

We Recommend the Tax Collector's Office strengthens internal controls by performing the following:

- A) Segregate duties in the purchasing process.
- B) Segregate the duties in the accounting functions.
- C) Institute procedures to ensure that checks are not signed until after proper review and approval.
- D) Establish a logbook to account for unused checks.

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Status:

- A) Implemented. The Director of Administrative Services, who does not receive goods, must now approve all purchases.
- B) Implemented. The administrative services specialist (who is in charge of accounts payable and processes checks) gets all invoices approved for payment by the Assistant Tax Collector. The invoices and support are then reviewed and approved by the Director of Administrative Services who has custody of the blank checks and also prints the checks. The Manager does a final review before they are run through the check-signing machine. The checks are then mailed by another administrative services specialist.
- C) Implemented. As noted above, the checks are not signed until there is a final review. Then a person not responsible for the accounts payable process signs the checks.
- D) Implemented. A detailed logbook is used to account for the unused blank checks. All check numbers and voids are recorded.

5. Legal Services Should Be Competitively Solicited and Time Worked Specified on Attorney Invoices

The legal services contract had not been competitively solicited since 1970. In addition, we noted that monthly invoices submitted by the law firm did not indicate the time spent on each activity, nor the total hours spent for the period covered by the invoices. The contract required services on a per hour charge.

We Recommend the Tax Collector's Office competitively bids the legal services contract and requires attorney billings to specify hours worked for each activity on the invoice.



Status:

Implemented. In 1998, the Tax Collector's Office competitively bid for legal services and the same firm was chosen. A review of paid invoices revealed that hours were specified for each activity billed.

6. The Tax Collector's Office Should Enhance Its Personnel Policies and Develops Written Procedures for Their Execution

At the start of the previous audit, the Tax Collector's Office was in the process of distributing a new employee handbook incorporating formal personnel and payroll policies. This manual was completed and distributed in July 1995. Prior to this, there was no comprehensive formal written policy and procedures manual. During our prior audit of these policies, we noted the following areas where improvements could be made:

- A) The employment policy did not address certain areas relating to recruitment and selection of new employees, job classification and pay plan, promotions and advancement within pay grades, reassignments, reclassification, and transfers.
- B) The handbook did not adequately address employee records and separation from employment.
- C) There were no written procedures for the execution of personnel policies. Written procedures addressing these policy areas should have been developed and adopted with, for example, guidelines containing sample documentation to be used throughout the hiring process.

We Recommend the Tax Collector's Office expands its personnel policies and develops written procedures for the execution of the policies.



Status:

Partially Implemented. The Tax Collector's Office has expanded its personnel policies and developed written procedures for the execution of these policies; however, these expanded policies were limited to the recruitment and selection of new employees and the identification of essential records identified in the hiring process. These procedures have not been updated to include job classification and pay plan, reassignments, reclassifications, transfers, and separations from employment.

We Again Recommend the Tax Collector's Office expands and develops its written personnel policies and procedures to include job classification and pay plan, reassignments, reclassifications, transfers, and separation from employment.

Management's Response:

Concur. The documentation of the hiring process has been a verbal and written process. Every new employee receives a copy of their job description that is to be maintained in their employee handbook. All job positions have a beginning and ending salary that is approved by the Department of Revenue prior to the beginning of each budget. The Tax Collector's Office has a statement in the employee handbook regarding his authority to hire and/or terminate an employee. Senior staff is in the process of reviewing the policies and developing written procedures for their execution as recommended.

7. Employee Position Classification and Pay Ranges Should Be Developed Based Upon a Detailed Salary Study

During our previous audit of the existing pay range schedule, we noted the following concerns:

- A) The pay range schedule only listed positions and a minimum and maximum salary for each position. The

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plan was not segregated by pay grades or zones within the grades. In addition, maximum and minimum ends of the ranges indicated by the classification plan were not consistent.

- B) Some positions' pay ranges may not have reflected market value to the organization or actual duties performed.

We Recommend the Tax Collector's Office performs a detailed salary analysis and develops pay grades. Job positions should be "slotted" within those pay grades based on importance to the organization, market value, and required qualifications.

Status:

Partially Implemented. Although the Tax Collector's Office has made positive changes to the classification of positions such as grouping together similar type positions, a detailed salary analysis was not performed and pay grades were not developed.

We Again Recommend the Tax Collector's Office performs a detailed salary analysis to ensure their changes to the classification of positions reflect the relative importance to the organization, market value, and required qualifications.

Management's Response:

Concur. The Tax Collector's Office has limited amounts that can be given to an employee according to the amount budgeted for that position and approved by the Department of Revenue. The Tax Collector's Office establishes the pay increases. The pay increases are determined by the job performance, attendance, team-work, customer service, annual employee evaluation and work factors according to the job description. The directors, with the managers' suggestions, recommend the amount of increase to give their employee (within their salary range) to the Tax Collector. The Tax Collector decides the final amount.



The Tax Collector and his management staff are in the process of establishing a point system for pay plans to give guidelines in salary increases. Reassignments, reclassification and transfers are recommended by the employee's management and are approved or disapproved by the Tax Collector. These are now verbal policies and are in the process of being made written policies to be included in the handbook. Due to the unique nature of this type of business, the Tax Collectors' Offices in Florida are the major source we use for establishing job descriptions and salaries. Each Tax Collector's Office establishes the work to be performed by their employee and a job description is written to describe these duties. Combined duties, education and experience are included in determining salaries. We have looked into doing an outside evaluation, but according to our findings, the in-house process described above has been the best source to use. We will look into your suggestion for our office to contract a detailed salary analysis and pay grades in the 2002-2003 budget. After discussing this suggestion with the other Tax Collectors, a decision will be made at that time.

8. The Hiring Process Should Be Adequately Documented

The Tax Collector's Office did not adequately document its hiring process. During our review of ten employees hired during the audit period, we noted that there was no documentation on file of other candidates interviewed for the position and the reason the one hired was selected over the other candidates.

We Recommend an interview selection worksheet be developed.

Status:

Partially Implemented. Although an interview selection worksheet has not been developed, the Director of Tag Operations, who conducts the majority of interviews, does



keep informal notes on all interviews conducted for an open position. The Assistant Tax Collector, who conducts interviews for positions open in Tax Operations, MIS, Administration, and Occupational Licensing, does not keep any such notes. An interview selection worksheet would list all persons being interviewed for a position with remarks and/or score listed. Individual interview forms are kept for every person interviewed for any position whether or not they are hired. These forms are filed in the personnel file if hired or with the application if not hired.

We Again Recommend an interview selection worksheet be developed.

Management's Response:

Concur. The Executive Secretary begins the hiring process with a job application. During the interview process, there is verbal and written documentation. We are in the process of designing a standard interview document that will be used by management during the hiring process.

9. Performance Evaluations Should Be Prepared for All Employees

It was not the practice of the Tax Collector's Office to prepare written evaluations at the end of the period of probation for new employees or at least annually for all employees. Our prior audit of a sample of ten employees hired during the audit period revealed that no formal written performance evaluations were prepared at the end of the employee's period of probation. Our examination of documents for employees hired prior to October 1993 revealed that there was no documentation of performance evaluations on file prior to October 1994 for the 15 employees reviewed, and that forty percent (6 of 15) of the files had no written performance evaluations.



We Recommend performance evaluations be prepared for all employees. Further, the employee handbook should be amended to require that all evaluations be documented.

Status:

Implemented. Personnel files were scanned and contained documentation on employee evaluations. The employee handbook stated that an employee will be rated by their department manager on an annual basis using an employee evaluation form.

10. Criteria Should Be Developed for Awarding Merit Increases

In the nine cases where written performance evaluations were prepared as of October 1994, there was no observable link between the evaluations and the salary increases given to the employees evaluated. No chart or schedule of percentage increase was used as a guide to translate the total points earned on an evaluation into percentage of merit increase.

We Recommend the Tax Collector's Office utilizes specific criteria to determine whether or not an employee receives a merit increase or, if pay for performance is utilized, the amount of merit increase received.

Status:

Not implemented. Although performance evaluations are prepared and used, there are no specific criteria used to determine what merit increase an employee receives. The Tax Collector has the final say in all raises and reviews the budget for availability. In addition, there are no specific criteria noted in the Wage or Salary Increase Policy of the employee handbook except to mention that the wage or salary rate will be reviewed once a year and at that time an increase may be considered.



We Again Recommend the Tax Collector's Office develops specific criteria to determine whether or not an employee receives a merit increase.

11. Promotions and Position Changes Should Be Adequately Documented

Personnel files did not show an adequate history of the employee's association with the Tax Collector's Office, positions occupied, promotions given, and current position. An examination of a sample of fifteen personnel files noted that twenty seven percent (4 of 11) of the files did not support the employee's present position. Also, in all of the cases where promotions were given (six), there were no memos or other documentation indicating, supporting, authorizing, or justifying the promotion.

We Recommend promotions and position changes be adequately documented.

Status:

Implemented. Review of personnel files indicated Employee Salary/Classification Change Forms were on file to document approved position and pay changes.

12. The Leave Accounting System Should Be Improved

The Tax Collector's Office allowed employees to accrue personal and term leave. During our previous review of leave accounting and reporting we noted the following:

- A) We found instances when employees on leave of absence were allowed to use one day of vacation or term leave each bi-weekly pay period to maintain their medical benefits. However, employees were allowed to accrue vacation and term leave on the 13 remaining

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days in the bi-weekly pay period for which the employee neither worked nor charged leave time.

- B) Three employees with over fifteen years of service accumulated personal leave in excess of the maximum amount allowed.
- C) The recording and reporting of accrued and used leave time was not computerized. The Tax Collector's Office had the capability to account for personal and term leave on a bi-weekly basis as part of the computerized payroll process, but they had opted not to use this capability.

We Recommend the Tax Collector's Office:

- A) Not allow employees to accrue leave while on unpaid leave of absence.
- B) Not allow accrued leave to exceed the maximum amount allowed.
- C) Consider computerizing the leave accounting process to improve recording and reporting of employee leave time.

Status:

- A) Implemented. Leave records reviewed of employees who had been on leave without pay indicated the employees did not accrue leave while on unpaid leave of absence.
- B) Implemented. Employees leave records reviewed noted that employees do not accrue leave in excess of the maximum amount allowed.
- C) Implemented. The Tax Collector's Office finished the implementation of computerizing the leave accounting process during the follow-up audit and testing indicated the system appeared to be working correctly.



13. Duties Between the Personnel and Payroll Functions Should Be Segregated to the Extent Possible

Segregation of duties between the personnel and payroll functions was not adequate. The Personnel/Budget Analyst handled personnel documentation, had access to the payroll files and the computerized payroll system, and reviewed and distributed signed payroll checks after they were prepared by the payroll staff. The bookkeeper who processed the payroll also provided backup for the Personnel/Budget Analyst and had access to the personnel files and records. This bookkeeper also reconciled the payroll bank statements.

We Recommend the Tax Collector's Office segregates the personnel and payroll functions to the extent possible.

Status:

Implemented. To adequately segregate the personnel and payroll functions, the Tax Collector's Office has confined the duties of the Manager of Administrative Services to areas other than payroll. Another employee also reconciles the payroll bank account. Neither the Manager nor the Assistant Manager (payroll clerk) has access to the payroll checks. The checks are approved and printed in front of the Director of Administrative Services who also reviews them and gives them to the courier for outside employees or to the managers of the other areas for employees who are located in the building.

14. Health Insurance Carriers Should Be Notified Promptly When Employees are Terminated

The health insurance carrier was not notified promptly when employees were terminated. During our prior audit, we noted that employee termination notification was sometimes not sent to the health insurance carrier until over 30 days after the employment had been terminated.



We Recommend the Tax Collector's Office promptly notifies the insurance carrier of benefits termination for terminated employees.

Status:

Implemented. A change form is submitted after the end of a pay period in which an employee terminates their employment with the Tax Collector's Office. The personnel files of all seven employees who terminated their employment during the audit period were reviewed and found to contain a copy of the insurance company notification form used to cancel coverage. The form was submitted within the next pay period.

15. A Written Investment Policy Should Be Created and Maintained by the Tax Collector's Office

The Tax Collector's Office did not have a comprehensive written investment policy.

We Recommend the Tax Collector's Office develops a comprehensive written investment policy.

Status:

Implemented. Comprehensive written investment policies and procedures have been developed specifying how funds can be invested. This document contains two major sections-- one describing investment policy and one detailing internal control procedures for the investment manager and accounting specialist. The policy section contains provisions such as the scope, performance measurement and reporting, prudence, and ethical standards. In addition, the policy has provisions for third party custodial agreements, bid requirements, and risk and diversification. During this past year, certain requirements of this law changed that may effect the policy of the Tax Collector's Office. These changes should be reviewed and appropriate changes made to the policy.



We Recommend the Tax Collector's Office periodically reviews the Florida Statutes for any amendments to Section 218.415, local government investment policies, and update their policy accordingly.

16. The Master Repurchase Agreement Should Have Terms and Conditions as to the Delivery Method, Collateral Requirements, Purchased Securities Requirements, and Margin Ratio Requirements

The Master Repurchase Agreement for the Tax Collector's Office did not have terms and conditions as to the delivery of transactions method (delivery versus payment method to ensure funds are not released until all criteria relating to the specific transaction are met), collateral requirements, purchased securities requirements, and margin ratio requirements (buyer's margin amount).

We Recommend the Tax Collector's Office develops supplemental terms and conditions for the Master Repurchase Agreement specifying the delivery of transactions method, collateral requirements, purchased securities requirements, and margin ratio requirements.

Status:

Implemented. The Tax Collector's Office has developed the above referenced supplemental terms and conditions for the Master Repurchase Agreement.

17. Tax Payments Should Be Processed and Deposited Timely

During our prior audit, we found that tax payments were not always processed in a timely manner. We had used the Discount and Interest (D&I) date as the date received because the Tax Collector's Office did not date stamp or receipt payments when received. The D&I date is the last day of the month in which a discount can be taken for that month. We were informed that during the peak period of tax payments from November 1, to early January of each year,



the volume of transactions overwhelms the Tax Collector's current processing system. Mail was temporarily stored by date received and processed as time permitted. As part of our prior review, we had selected six processing dates during the audit period (three machine processed dates and three cashier processed dates). We had compared the processing date (deposit date) to the D&I date to determine if the monies were deposited in a timely manner. Based on the results of our testing, it appeared that payments processed in November had been deposited in a timely manner, but as mail increases, processing lagged behind. Delays in processing of at least 28 working days (43 calendar days) had been noted.

We Recommend procedures be established to process and deposit funds within two days of receipt.

Status:

Implemented. We tested a sample of 30 property tax payments for four different days during the Tax Collector's peak period. We found with the new imaging system, the mailroom is able to process all incoming mail each day. Of the 120 payments, one was processed in one day, 60 were processed in two days, 28 in three days, 20 in four days, nine were processed in five days, and two were returned to property owners. Of these same 120 payments tested, 58 were deposited in two days, 59 in three days, one in four days and two had to be returned to property owners.

18. The Refund Account Slip Should Be Pre-numbered and Approved by the Tag and License Agency Manager or an Assistant

The refund form was not pre-numbered and, although there was a space for an approval signature, we noted it was seldom used. When a refund to a customer was necessary at a Tag and License Agency, a Refund Account slip was prepared at the Agency and sent to the Tax Collector's Accounting Department for the refund check to be prepared and sent to the customer.



We Recommend the Tax Collector's Office institutes a refund procedure that includes pre-numbered forms and approval at the Agency level by the manager or a designated assistant.

Status:

Implemented. All tag agency refund forms are now pre-numbered. The Accounting Department ensures all numbers are accounted for. The refund slips, which are in duplicate, must be signed or initialed by a manager or the manager's designee.

19. The Tax Collector's Office Should Continue to Work With the Governmental Entity Owning Land in Which Delinquent Taxes Are Due

Land owned by a governmental entity and used for governmental purposes is exempt from real property taxes. When the parcel is leased to a non-governmental entity, the tax exemption is lost and the lessee becomes responsible for the resulting real property taxes. Because the parcel is still owned by a governmental entity, tax certificates cannot be sold if the lessee taxes become delinquent. For tax years 1990 through 1992, approximately \$58,000 in gross taxes, not including interest and administrative costs, were delinquent for these non-governmental entities at the time of our original audit testing.

We Recommend the Tax Collector's Office continues to work with the governmental entity owning land in which delinquent taxes are due to ensure these taxes due are paid.

Status:

Partially Implemented. After the prior audit, the Property Appraiser's Office sued one government entity owing the largest amount and that government entity is in the process of paying the past due taxes through 2001. That amount has been estimated to be \$5.9 million.

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During our review, we noted 89 businesses on government-owned land that had unpaid property taxes for any of the years 1997 through 2000. As of the end of fiscal year 2000, a total of \$5.8 million of property taxes was owed from these governmental entities since 1990. A review of these businesses found that 24 (26 percent) had current occupational licenses. Section 196.199 (4), Florida Statutes, states a governmental entity is exempt from property taxes, but when the land is leased to a non-governmental entity, the exemption is lost and the lessee becomes responsible for the resulting property taxes. Because the land is owned by a governmental entity, tax certificates cannot be sold if the lessee taxes become delinquent. Section 196.199 (8)(a) states that nonpayment of the taxes by the lessee can result in the revocation of any occupational license.

In order to attempt to collect these taxes, the Tax Collector's Office stated certified letters were sent to the governmental entities and the business owners, but they still have not paid. The Tax Collector's Office states they cancel the business' occupational licenses if they don't pay the property taxes due. However, this was not done in the above noted cases.

We Again Recommend the Tax Collector's Office continues to work with the governmental entities owning land in which delinquent taxes are due and also follow through with the steps prescribed in the Florida Statutes to ensure the taxes due are paid.

Management's Response:

Concur. Since your audit and recommendations for changes were made, we met with our attorney Steven R. Bechtel, who in turn contacted Thomas B. Drage, Jr., regarding the GOAA Concession cases. Please find a copy of Mr. Bechtel's correspondence attached [See Management's Exhibits].

Furthermore, we initiated meetings with the Assistant City Attorney in order that we could lay the facts on the table. A copy of a letter from Steven J. Zucker is also attached [See Management's Exhibits]. On October 12, 2001, Mr. Zucker and staff members from the City came to our office to meet



with us and with a representative from the Orange County Property Appraiser's Office. Part of the discussions centered around the question of the tenant paying taxes based on the move-in/move-out date – keeping in mind that the property returns to the City, who is entitled to an exempt status when vacant. However, statutorily, the taxes are assessed for the full year regardless of the length of time a property is occupied. Which also means that the delinquent taxes continue to be outstanding if a new tenant takes possession of the property.

We have been advised that a settlement has been reached for the ad valorem taxes on real property at the hotel at Orlando International Airport. The tangible personal property tax accounts remain in discussion between the City and the tenants.

At this point, the City has provided our office with a list of other tenants who are no longer in business along with their last known addresses.

Although the status of this particular item has not been corrected, considerable effort on our part to adhere to your recommendations have been made. We continue to participate in meetings and consultations with those involved resolving this issue. As a last resort, we will issue tax executions on the referred accounts.

20. Procedures for the Sale of Listings Sold by the Tax Collector's Office Should Be Strengthened

The Tax Collector's Office sold paper copies of the new business listings, occupational code listings, and magnetic tape listings to the general public. These listings were generated by the Tax Collector's Data Services Department and sold by both the Data Services Department and the Tax Collector's secretary. We noted the following concerns in this area:

- A) Customer's requests for magnetic tape listings are produced by the Data Services Operations Supervisor who also accepts payment for these listings. The

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payment was then given to the Tax Collector's secretary for deposit.

- B) A system was not in place to track and reconcile the listings requested, received, or sold.

We Recommend the Tax Collector's office:

- A) Assigns responsibility for the receipt of funds from the sale of listings to an individual not involved in the production (creation) of the listings.
- B) Establishes a tracking system that traces the listings from the point of request to the point of sale and collection of monies or disposition when they become obsolete.

Status:

- A) Partially Implemented. Although all requests go through the Executive Secretary who ensures payment is received before the order is given to the Data Operations Supervisor, the cashier's receipt is neither attached to the order form nor reconciled periodically to ensure payment has been receipted on all orders.

We Recommend the cashier's receipt be attached to the order form and a periodic reconciliation be performed by someone other than the Executive Secretary.

- B) Implemented. The Executive Secretary files all requests for listings alphabetically. When a request is paid, she enters all information on her computer in the Report Master Program. On a weekly basis, she reviews the program to ensure all paid requests have been filled.



21. A Written Contract Should Be Obtained for All Arrangements Entered into Under Another Governmental Entity's Contract

The Tax Collector's Office did not go out for bid or receive quotes for banking services. During our prior audit, we noted that the Tax Collector's Office had an agreement with SunTrust to perform banking services, but did not have a written contract stating time periods, terms, conditions, and collateral provisions. We were informed by Tax Collector's Office staff that the Office "piggy-backs" Orange County's contract with SunTrust and receives the same benefits and incurs the same costs as the County, with approval by SunTrust. After we inquired into this process, the Tax Collector's Office requested and obtained from SunTrust a letter confirming the pricing schedule that was comparable with the prices noted in the County's contract with SunTrust.

We Recommend the Tax Collector's Office ensures that a written contract is obtained for all agreements where a "piggy-back" arrangement is entered into with a vendor representing costs and benefits of a governmental agency contract.

Status:

Implemented. The Orange County Purchasing and Contracts Division indicated when the County contracts with a vendor, the County now includes a "piggy back" clause in contracts and if a vendor does not want this clause they have to specifically tell the County to remove it. A sample of contracts that the Tax Collector's Office has used was reviewed to ensure the "piggy-back" clause was included. Of the five contracts reviewed, four contained the clause and the Tax Collector's Office had obtained a separate agreement with the vendor for the fifth contract.

22. Controls Should Be Strengthened in the Accounting Department

During our prior audit of accounting procedures, we noted the following control weaknesses:

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-
- A) Checks processed for payment were not being reviewed by an independent party before being sent to the payee.
 - B) Bank reconciliations were not being reviewed by an independent person.
 - C) The same accounting personnel physically received cash from customers, performed accounting record keeping functions, made deposits, and reconciled the bank statements.

We Recommend:

- A) An independent party reviews checks (check listing) before they are sent out to the payee. Evidence of this review should be retained.
- B) The Administrator of Accounting reviews the bank reconciliations to ensure transactions on the bank statement are appropriate. Evidence of this review should be retained.
- C) Internal controls be established to adequately segregate the duties of physical handling, and depositing of monies from the record keeping and bank reconciliation procedures.

Status:

- A) Implemented. The Administrator of Accounting compares the check registers with the printed checks and supporting documentation and signs and retains the check register to document her review.
- B) Implemented. The accounting specialists prepare itemized lists of reconciling items when the bank statements are reconciled. These lists are attached to the bank statement and submitted to the Administrator of Accounting for review. When the administrator is satisfied with the reconciliation, she signs the list, which stays attached to the bank statement and is filed.



C) Implemented. Presently, the Accounting Specialist II positions receive and deposit money, but do not perform the record keeping or bank reconciliation function. These functions are performed by the Accounting Specialist III positions.

23. Funds Should Be Deposited and a Refund Check Issued for Refunded Occupational License Accounts

The Tax Collector's Office returned customer's checks (uncashed) for Occupational License accounts previously paid. During the prior audit period, approximately \$4,000 was processed as "previously paid" in which the customers checks were returned along with letters explaining the reason for the checks being returned. These checks should have been deposited and a refund check with supporting documentation sent back to the customer to ensure accountability for monies collected.

We Recommend the Tax Collector's Office deposits monies and issues refund checks for all duplicate payments received.

Status:

Implemented. The Tax Collector's Office no longer returns customer checks for previously paid occupational license accounts or any accounts unless the postage due or the account cannot be identified. With the new imaging system, checks are imaged within the system and deposited in the bank as soon as possible. Problems with the account are resolved at a later date and overpayments are sent to the customer in the form of a refund check.

24. Supporting Documentation Should Be Reviewed and Maintained for Refund Checks

Refund checks were being issued by the Tax Collector's Accounting Department without supporting documentation of the need for a refund. Supporting documentation to ensure

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the refund was valid should be reviewed prior to the check being mailed. In addition, this support should have been retained.

We Recommend supporting documentation be reviewed and maintained for refunds to ensure their validity.

Status:

Implemented. Documentation for overpayment refunds for property taxes is sent to the Accounting Department from both the Imaging Department and the Cashiers. This documentation is retained with the check register for the refund checks and is reviewed and approved by the Administrator of Accounting.

25. A Policies and Procedures Manual Should Be Developed by the Tax Collector's Office

The Tax Collector's Office did not have a financial procedures manual. During our prior review, we noted that the Tax Collector's Office was in the process of preparing a procedures manual for the Accounting Department.

We Recommend the Tax Collector's Office prepares a procedures manual for the Accounting Department.

Status:

Implemented. The Tax Collector's Office has prepared an accounting manual that addresses the various area and duties of the Accounting Department.

MANAGEMENT'S EXHIBITS

01-09-2002 14:12

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O C TAX COLLECTOR

P.04

MEMORANDUM

TO: Crotty v. GOAA, Case No. CI 98-2207
GOAA v. Crotty, Case Nos. CI 98-9855, CI 99-9536 and CI 00-8762
Concession Cases

FROM: SRB

DATE: September 17, 2001

Phone call with Marcos today. He is still pursuing the settlement. His proposal is that we have the same type of stipulation with a Voluntary Dismissal by all Plaintiffs and the payment of the principal amount of unpaid taxes for concessionaires who are still in business by GOAA. GOAA would not pay for those who are no longer in business. I told him to prepare the Stipulation.

01-09-2002 14:12

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O C TAX COLLECTOR

P.05

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September 19, 2001

VIA TELECOPIER # (407) 422-4617

Thomas B. Drage, Jr.
Drage, Debeaubien, Knight & Simmons
P.O. Box 87
Orlando, FL 32802-0087

Re: Crotty v. GOAA, Case No. CI 98-2207
GOAA v. Crotty, Case Nos. CI 98-9855, CI 99-9536 and CI 00-8762

Dear Tom:

As indicated by the attached memo, I talked to Marcos Marchena about settling these GOAA Concession cases. One thing that concerns me is that he does not want GOAA to pay for those concessionaires no longer in business, even though the tax bills are outstanding, based on his assertion that the assessment is against the leasehold and not the fee interest. I do not recall whether that this is correct. Would you please call me so that we can discuss.

Very truly yours,



STEVEN R. BECHTEL

SRB:cdp
enclosure

cc: Orange County Tax Collector



CITY OF ORLANDO

September 21, 2001

Mr. Pete Simonetti
 Assistant Tax Collector
 Orange County Tax Collector's Office
 200 S. Orange Avenue
 Suite 1500
 Orlando, Florida 32801

Re: Ad Valorem Tax Bills - Properties Leased from the City of Orlando

Dear Mr. Simonetti:

The City of Orlando owns various real properties within Orange County that are leased from time to time. It has been brought to the attention of this Office that there exists outstanding ad valorem taxes related to the leasehold interest in some of these properties; mostly involving properties at Dubsdread Golf Course, Ben White Raceway and City garages located on Pine Street, Washington Street, Amelia Street and Church Street.

City's staff members have been communicating with employees at your office and at the offices of the Orange County Tax Collector regarding this issue. Everyone appears to be in agreement that leasehold taxes are the responsibility of the tenant. For all involved, the problem arises when the City's tenant fails to pay the tax bill on the leasehold interest or simply vacates the premises, for whatever reason. First, the tax collector has not been paid and may be unable to locate the tenant or any of the tenant's assets. Second, it seems the tax rolls are compiled in a manner that maintains a running total of the delinquent taxes associated with the leased property. Third, the City is often unable to lease the property to a new tenant when the delinquent taxes stay attached to the bill as outstanding.

At your convenience, several members of the City's staff, including myself, would like to meet with you and your staff to see how we might address this issue. Left unresolved, these properties will likely remain vacant and will not produce revenue for either the City or the County.

If possible, prior to our meeting, I would ask that your office consider a partial, short-term solution that I believe would reduce the potential for delinquency in the payment of leasehold taxes for the upcoming year. The leasehold tax bills, when addressed and mailed to the tenant, currently have the City of Orlando name appearing first on the bill and then showing it to the care of the tenant. The tenant may be under the impression that, because the City's name appears first, the City is therefore responsible for paying the taxes. By addressing the bill directly to the tenant, and not to the care of the tenant, and moving the City's name somewhere below the tenant's address, some of the possible confusion may be eliminated.

It is my hope that we can work closely with your office and the property appraiser to resolve this issue. Please call me with a convenient time for us to meet.

Sincerely,

Steven J. Zucker
 Assistant City Attorney

SJZ:ra

c: Bill Donegan, Orange County Property Appraiser
 Marion Hatcher, Director of Taxes & Occupational Licenses
 Bruce Harter, Treasurer, City of Orlando

OFFICE OF LEGAL AFFAIRS

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CITY OF ORLANDO

October 17, 2001

Mr. Pete Simonetti, Assistant Tax Collector
Orange County Tax Collector's Office
200 S. Orange Avenue, Suite 1500
Orlando, FL 32801

RE: Ad Valorem Tax Bills – City of Orlando Leaseholds
Tenants No Longer in Business

Dear Mr. Simonetti:

Pursuant to your request, the attached is a list of former tenants of the City of Orlando who are no longer in business along with the last known addresses.

Please feel free to call should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Mary Ann Schwabe".

Mary Ann Schwabe
Real Estate Agent

c: Marion Hatcher, Director of Taxes & Occupational Licenses
Emmett Taylor, Director of Appraisal Services
Steve Zucker, Assistant City Attorney, City of Orlando
Bruce C. Harter, Treasurer, City of Orlando

Attachments