

Audit of the Real Estate Management Division

**Report by the
Office of County Comptroller**

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September 12, 2007

Richard T. Crotty, County Mayor
And
Board of County Commissioners

We have conducted an audit of the Real Estate Management Division. The audit was focused on the operations of the Division and acquisition services provided to other County Departments. The period audited was from October 1, 2005 through June 30, 2006. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Director of Administrative Services and the Deputy Director, Administrative Services / Manager, Real Estate Management Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Real Estate Management Division (Administrative Support Services Department) during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Linda Weinberg, Deputy County Administrator
John Terwilliger, Director of Administrative Services
George Hart, Deputy Director, Administrative Services / Manager, Real Estate Management Division

EXECUTIVE SUMMARY

Executive Summary

We conducted an audit of the Orange County Real Estate Management Division. The scope of our audit included a review of the Division's land acquisitions, leasing transactions, and other related activities. The period audited was from October 1, 2005 to June 30, 2006; however, we reviewed certain activities and expenditures that occurred outside this period when they related to acquisitions that closed in the audit period. Our review did not address land disposals or acquisitions made by condemnation through the Eminent Domain Process.

In our opinion, controls over the Division's services, functions, and activities were adequate during the audit period. Based on the work performed, the Division materially complied with applicable Federal, State and local laws regarding the acquisition of real property and/or rights of access (easements and right of ways). In addition, the Division's activities were adequately documented and provided efficient and effective support in addressing the County's real property needs.

Opportunities for improvement were noted in certain areas and are summarized as follows:

- Audit clauses should be included in all lease agreements and in telecommunications tower leases.
- Deposits of revenue should be made in a timely manner.
- Lease payments should be monitored to ensure amounts paid are in accordance with lease terms.
- Procedures for maintaining inventories of owned, leased and assigned parking spaces needs improvement to ensure the records are complete and accurate.

In the course of our audit we also recognized an opportunity for improvement that was not specifically the sole responsibility of Real Estate Management. We found that the County's Comprehensive Facilities Master Plan (CFMP) issued in 1998, had not been routinely updated to address changes in the number of staffing positions, facility locations, technology and service delivery methods. We recommended that upon the County's acceptance of the feasibility study of long term space needs in downtown Orlando, that the appropriate Department/Divisions consider the study's impact on the CFMP. Subsequently, the conclusions of the CFMP should be periodically reviewed and revised as necessary.

Real Estate Management concurred with four of the five recommendations and partially concurred with the recommendation for improving parking inventories. Corrective action is either underway or planned as noted herein.

ACTION PLAN

**REAL ESTATE MANAGEMENT REVIEW
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Division include an audit clause in:					
A)	Lease documents in which the County must pay amounts in addition to the base rent (i.e., share of Lessors' insurance, taxes, operating expenses, common area maintenance, etc.); and,	✓			✓	
B)	Telecommunication Exclusive Master Agreements thereby allowing the County to receive complete copies of site licensing agreements between the Telecommunication Tower Service Provider and third party communication carriers.	✓			✓	
	Also, we recommend the Division continue to work with the Telecommunication Tower Service Provider to reconcile the amounts due as specified in the various site lease and site license agreements with the amounts received.	✓			✓	
2.	We recommend check transmittal documentation received by the Division be date stamped upon receipt and checks deposited in accordance with Orange County Administrative Regulation 6.03.03	✓				✓
3.	We recommend the Division obtains the schedule of lease payments to be made by the Comptroller's Accounts Payable Section each month and reviews it for completeness and accuracy. We further recommend the Division periodically reconciles actual amounts paid to amounts due per the lease documents.	✓				✓

**REAL ESTATE MANAGEMENT REVIEW
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
4.	We recommend the Division performs the following:					
A)	Maintains a schedule of the facilities where Orange County owns or leases parking spaces. This schedule should include the total number of spaces owned or leased at each facility, the number of spaces at each facility assigned to each Department, Constitutional Officer, or other Agency, and a record of the access devices (cards and codes) given to such entities; and,		✓			✓
B)	Works to establish a County procedure wherein the Division assigns each Department, Constitutional Office or other Agency a certain number of spaces and access devices. Then it becomes the responsibility of the assigned Department, Constitutional Office or other Agency to maintain their own inventory records of individually assigned spaces and access devices. These records should include at a minimum the staff member's name, employee number, certification of a valid driver's license and insurance; or record of the space if utilized for customers and visitors. The Division should then periodically obtain from each such group a certified list of all access devices (cards and codes) held and assigned.		✓			✓

**OTHER RECOMMENDATIONS FOR IMPROVEMENT
ADMINISTRATIVE SUPPORT DEPARTMENT
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
		1.	We recommend the County, upon acceptance of the feasibility study of long term space needs in downtown Orlando, considers the feasibility study's impact on the CFMP. Subsequently, the conclusions of the CFMP should be periodically reviewed and revised as necessary.	✓		

INTRODUCTION

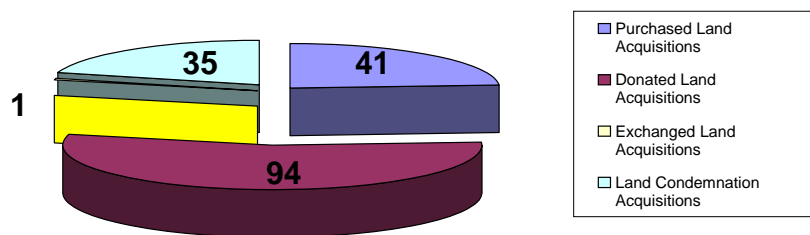


Background

The Real Estate Management (Division) is a division of the Administrative Support Services Department. The Division is responsible for providing real property acquisition, leasing, and disposal services to meet the needs of other County departments as well as the Constitutional Offices of Orange County. The other departments, operational divisions, and Constitutional Offices of Orange County are referred to as “controlling units” when receiving services from the Division.

The Division’s staff of 31 budgeted positions is composed of title examiners, appraisers, acquisition agents, and an information systems project coordinator working with cartographers and Geographic Information Systems (GIS). The Division acquires real estate for infrastructure projects including, but not limited to road building, drainage, utilities, preservation of environmentally sensitive land, recreational land, and operational facilities. Operational facilities include buildings and/or sites for fire stations, health centers, maintenance facilities, and other customer service sites. During the audit period, the Division had acquired the following:

Parcels of Land Acquired In Audit Period



The Division also administers various real property leases for County operations and certain Constitutional Offices. During the audit period, the Division reported leases for County and Constitutional Offices’ operations of approximately 439,310 square feet of office space and 260,470 square feet of warehouse space at an estimated total combined annual cost in excess of \$9 million.

Real estate representative services were provided by a state licensed consulting firm. The terms of the agreement call for the County to share in commissions received by the consulting firm for the brokerage of lease transactions involving the County. During the audit period, the County earned approximately \$72,000 in commissioned fees.

The Division administers leases of communication towers and/or sites to other communication service providers, except for the Convention Center. This activity, exclusive of the Convention Center revenue, generated approximately \$421,660 for the fiscal year ended October 31, 2006.

**Scope, Objectives,
and Methodology**

The scope of our audit was a review of the Division's land acquisitions, leasing transactions, and other activities occurring during the audit period. The audit period was from October 1, 2005 to June 30, 2006. However, we reviewed certain activities and expenditures that occurred outside this period when they related to acquisitions that closed in the audit period.

Our objectives were to determine:

- The adequacy of controls over the Division's services, functions and activities;
- Compliance with Federal, State and local laws regarding the acquisition of real property and/or rights of access (easements and right of ways); and,
- Whether the Division's activities provide efficient and effective support in addressing the County's real property needs and if documentation of transactions was adequate.

Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances. The tests included but were not limited to the following:

- To determine the adequacy of controls over the Division's services, functions, and activities we spoke with Division staff to gain an understanding of events and transactions processed. The Division uses an automated project report tracking system to facilitate the completion of service work orders requested by other controlling units. We tested the project report tracking system by selecting a random sample of work orders created in the audit period. We compared data in the system to source documents and hard copy files providing evidence of title research, appraisal services, acquisitions, disposals, and/or lease activity recorded in the system. We selected samples of revenue and expenditure transactions to review for compliance with County and State regulations on receipting and payment procedures.
- To determine compliance with Federal, State, and local laws regarding the acquisition of real property and/or rights of access (easements and right of ways) and to determine that the Division's activities were adequately documented and provided efficient and effective support in addressing the County's real property needs, we tested a sample of land acquisition transactions from the audit period. For each selected transaction we reviewed and compared data recorded in the project report tracking system to that information retained in the permanent file (title reports, appraisal reports, correspondence, contracts, deeds, settlement statements, certificates of necessity, and/or other documents recorded with Orange County Official Records). Additionally, we reviewed procurement procedures for contracts issued for title and appraisal services. We selected a sample of related payment transactions to determine if services and payments were in accordance with contract terms. We also surveyed a sample of controlling units for their opinion of services received from the Division.

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The scope of our audit did not address acquisitions made by condemnation through the Eminent Domain Process or land disposals. We did not include a comprehensive review of the computer networks, systems, or software applications utilized for project tracking. These databases were referred to for certain information; however, source documents were used to support audit conclusions.

Overall Evaluation

In our opinion, controls over the Division's services, functions, and activities were adequate during the audit period. Based on the work performed, the Division materially complied with applicable Federal, State and local laws regarding the acquisition of real property and/or rights of access (easements and right of ways). In addition, the Division's activities were adequately documented and provided efficient and effective support in addressing the County's real property needs. Improvements are needed as noted herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. Audit Clauses Should Be Included in Lease Agreements and in Telecommunications Tower Leases

Our review noted that four of the eight applicable abstracts of facility leases did not contain an audit clause in the original lease document. The leases in question contain additional rents based on certain conditions.

Many of the lease agreements the County enters into require the County to pay amounts in addition to the base rent. The additional amounts include the County's share of expenses such as insurance, real estate taxes, common area maintenance, utilities, etc. As these amounts can be somewhat material (for example, the County currently pays additional rents in the amount of \$4,713 per month for lease file 1017 and \$5,860 per month for lease file 2007) it would be in the County's best interest to have the ability to review documentation that supports the amounts charged as additional rents by the Lessor.

We also noted that prior to the audit period, the County's Telecommunication Exclusive Master Agreement with the Telecommunications Tower Service Provider (Provider) was executed without inclusion of an audit clause. Our tests disclosed that amounts received during the audit period for four of the six sampled tower sites reviewed do not conform to the amounts due as specified in the various site agreements between the County's Provider and the carriers utilizing the towers. The net effect of the variances was a \$604 underpayment; however, the variances by tower site ranged from an underpayment of \$1,416 to an overpayment of \$811.

The Provider does not automatically inform the County of changes to their agreements with the various carriers in a timely manner. In some cases the Provider has been unwilling to provide the County with a complete copy of their agreements with the carriers. Although we noted the Division's attempts to contact the Provider, the Provider did

not provide satisfactory explanations to the Division between the amounts due and amounts received.

The absence of an audit clause within the Telecommunications Exclusive Master Agreement leaves the County without recourse or authority for access to the service provider's site licensing agreements or to audit the service provider's revenue sources. As such, the County is unable to verify and accurately estimate revenues due.

We Recommend the Division includes an audit clause in:

- A) Lease documents in which the County must pay amounts in addition to the base rent (i.e., share of Lessors' insurance, taxes, operating expenses, common area maintenance, etc.); and,
- B) Telecommunication Exclusive Master Agreements thereby allowing the County to receive complete copies of site licensing agreements between the Telecommunication Tower Service Provider and third party communication carriers.

Also, we recommend the Division continue to work with the Telecommunication Tower Service Provider to reconcile the amounts due as specified in the various site lease and site license agreements with the amounts received.

Management's Response:

Concur. Appropriate language has been added to our Standard Lease Agreement. When the Lessor requires the use of their Lease document, Real Estate Management will endeavor to have the audit language included. As to the Telecommunications agreements, the County is subject to the agreements approved by the Board. When the opportunity arises to enter into new agreements, we will include the audit language. In addition, Real Estate Management will continue to work with the Telecommunication Service Provider to reconcile the amounts due with the amounts received.

2. Deposits of Revenue Should Be Made in a Timely Manner

In our review of a sample of 18 receipts totaling \$157,298 for telecommunication tower lease revenues, we noted the Division did not always date stamp the check transmittal documentation when the payments were received. We found, that from date of receipt or if not evidenced then from the check date, it took an average of 19 days to date of deposit. The length of time to deposit ranged from one day to 41 days. Additionally, our review of all five payments received from the Lease Broker totaling \$48,329 during the audit period, took an average of 20 days to deposit the funds. The range of time from the check date to the deposit of funds was from six to 35 days.

Orange County Administrative Regulation 6.03.03 Revenue Collection requires all revenue exceeding \$200 to be forwarded to Finance before the close of business day for deposit. Under no circumstances are receipts to remain undeposited for more than one week regardless of the amount.

The delay in the deposit of telecommunication tower lease revenues appears to be due to existing procedures. Certain lease payments are first delivered to the Division which reviews and allocates amounts by location and controlling units. The Division then forwards the checks to the Utilities Department for deposit and accounting. The delay in depositing funds results in lost interest income and increases the likelihood that the funds could be lost or stolen.

We Recommend check transmittal documentation received by the Division be date stamped upon receipt and checks deposited in accordance with Orange County Administrative Regulation 6.03.03.

Management's Response:

Concur. All commission checks received from CBRE have been forwarded to the Division Fiscal Coordinator within 24 hours of receipt from vendor. In the past the checks have

been hand delivered to the County at the end of business. The checks are not cut locally and there is a delay between the date on the check and the date delivered to the County. In the future the checks will be date stamped upon receipt, a copy made and the check will be deposited in accordance with the Administrative Regulations. In addition, we will be depositing the checks for communications towers in accordance with Administrative Regulations. Real Estate Management has obtained fund codes from Utilities for the deposits and will copy rent checks for their records.

3. Lease Payments Should Be Monitored To Ensure Amounts Paid Are in Accordance With Lease Terms

The Division did not coordinate with the Comptroller's Finance Division to ensure that monthly lease payments were made at the proper rate.

The majority of lease payments are automatically due at the beginning of each month and invoices are not received. In order to ensure all payments are made, the Comptroller's Accounts Payable Specialist maintains a list of all lease payments, the date due, and the amount due. This schedule is utilized to prepare the checks for the lease payments. Through discussions with the Division's Lease Program Manager we were informed that the Comptroller's Accounts Payable Specialist does not forward to the Division a listing of lease payments they are going to make for a given month. Therefore the Lease Program Manager does not have an opportunity to review and approve lease payments before they are made.

In our general test of the Division's expenditures we noted that three (12 percent) of 25 payments reviewed were not paid at the proper rate. All three items noted are relative to property leases. Our sample contained 14 lease payments which results in an error rate of 21 percent for lease payments. Although the total dollar amount difference for the items sampled was not material, lease payments

represent a significant portion of the Division's operating budget. Without adequate controls to ensure payments conform to negotiated terms, larger differences may occur and not be detected timely.

We Recommend the Division obtains the schedule of lease payments to be made by the Comptroller's Accounts Payable Section each month and reviews it for completeness and accuracy. We further recommend the Division periodically reconciles actual amounts paid to amounts due per the lease documents.

Management's Response:

Concur. Real Estate Management will request the schedule of lease payments from the Comptroller's Office and will review it monthly. In addition, Real Estate Management will reconcile amounts paid to the lease documents.

4. Improvements Are Needed in Maintaining Inventories of Owned, Leased, and Assigned Parking Spaces

The Division does not have a comprehensive listing of all downtown Orlando parking spaces owned and leased by Orange County, or the assignments of the spaces to County Departments, Constitutional Offices, Agencies, or individuals. The following was noted in our review of parking records maintained by the Division:

- A) We found large differences in the number of spaces owned or leased by the County and those accounted for by the Division for the Courthouse and Centroplex parking facilities. The Division's database for these two facilities included numerous errors. We found that many of the cardholder assignments listed were actually for individuals' assigned spaces at other facilities. Through an interlocal-governmental agreement between the County and the City of Orlando, the County has rights to 400 spaces at the

**RECOMMENDATIONS
FOR IMPROVEMENT**



Courthouse. The County is only required to pay the City for operating and maintenance costs for these spaces. Such costs for the calendar year 2006 were \$11.32 per space. Beyond these 400 spaces, various County Agencies, such as the State Attorney, Court Administration and the Public Defender, have obtained 107 additional spaces at the Courthouse at a cost of \$80 per space per month.

The following chart summarizes the parking leases found as compared to those included on the Division’s database:

Facility	Users	Spaces per Audit	Monthly Cost per Space	Owner of Spaces	Spaces Per Division’s Database	Variance
Courthouse	Not Determinable	400	\$11.32	Orange County		
Courthouse	State Attorney’s Office	6	\$80.00	City of Orlando		
Courthouse	Court Administration	13	\$80.00	City of Orlando		
Courthouse	Public Defender	88	\$80.00	City of Orlando		
Totals for Courthouse		507			374	133
Centroplex II	State Attorney’s Office	175	\$40.00	City of Orlando		
Centroplex II	Court Administration	48	\$40.00	City of Orlando		
Centroplex II	Public Defender	43	\$40.00	City of Orlando		
Centroplex II	Clerk of Courts	380	\$40.00	City of Orlando		
Totals for Centroplex II		646			79	567

- B) The Division’s database does not include all downtown Orlando locations at which Orange County owns or leases parking spaces. Further, the Division’s database does not include a record of who is utilizing parking spaces leased by the County through the following lease agreements:

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FOR IMPROVEMENT**



REM Lease File Number	Facility Location	Number of Spaces Available
3006	305 N Palmetto	44
3008	SunTrust	42
2033	250 N Orange	11
2008	408 S Rosalind	64
2046	701 E South St	38
2040	105 E Robinson	29

- C) The report provided for the Magnolia Place parking facility contains several cardholders that no longer work at the location. Based on personal knowledge from working at the facility, we found that 31 of the 123 cardholders in the Division database do not currently work at the location. It appears that cards for employees that previously worked at Magnolia Place were not returned and/or removed from the database (i.e., Utilities, Building, Growth Management, etc.)

- D) According to a report provided for the Library parking facility, not all available spaces are being utilized. The report shows that only 70 of the 89 spaces owned by the County are assigned. Also, in a sample of individuals assigned parking cards for the library, we noted that four of the 10 individuals were no longer employed by the County or other Constitutional Offices at the time of our test.

Good business practices require an entity to maintain adequate records as to the facilities they own and lease. They should also maintain records, or ensure adequate records are maintained, that would provide evidence that space is sufficiently utilized. The Division started gathering data relative to parking in the downtown Orlando area and establishing a database in March 2006; however, this project does not appear to be a priority and the database does not contain accurate data.

Without having a complete and accurate record of who is using the parking spaces owned or leased by the County, it is possible that the County is paying for parking spaces that are not needed.

We Recommend the Division performs the following:

- A) Maintains a schedule of the facilities where Orange County owns or leases parking spaces. This schedule should include the total number of spaces owned or leased at each facility, the number of spaces at each facility assigned to each Department, Constitutional Officer, or other Agency, and a record of the access devices (cards and codes) given to such entities; and,
- B) Works to establish a County procedure wherein the Division assigns each Department, Constitutional Office or other Agency a certain number of spaces and access devices. Then it becomes the responsibility of the assigned Department, Constitutional Office or other Agency to maintain their own inventory records of individually assigned spaces and access devices. These records should include at a minimum the staff member's name, employee number, certification of a valid driver's license and insurance; or record of the space if utilized for customers and visitors. The Division should then periodically obtain from each such group a certified list of all access devices (cards and codes) held and assigned.

Management's Response:

Partially Concur. Real Estate Management has developed a data base for each of the parking locations the County lease through Real Estate Management. Real Estate has assigned a certain number of spaces to each Department, Division, Constitutional Office or agency and has received updated information from same. The information has been entered into the database. The information will be reviewed

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semi-annually with each to maintain accuracy. Real Estate Management does not get involved with the renting of parking spaces by all Constitutional Offices and is not responsible for maintaining their parking inventories. The only owned facilities that Real Estate Management has responsibilities for parking are the "Blue" lot and IOC I and II. Parking control devices are to be installed at the Blue lot.

**OTHER RECOMMENDATIONS
FOR IMPROVEMENT**

1. A Comprehensive Facilities Master Plan Should Be Maintained and Periodically Updated

The County's Comprehensive Facilities Master Plan was prepared in 1998 (1998 CFMP). It was a facilities use study of Orange County and Constitutional Offices' operations and space needs. It provided projections of space needs based on estimated population growth and service operations. The 1998 CFMP established work-space size standards by position that are still utilized today.

Since the study was conducted, the County has not updated the comprehensive facilities master plan. The responsibility for monitoring the land and facility needs of the County as well as those of the other Constitutional Offices is shared within the Administrative Services Department between the Real Estate Management Division, the Facilities Management Division, and the Capital Projects Division.

Although the study is still relevant today, certain data and projections included in the 1998 CFMP are now no longer valid due to changes in facility locations, technology, and service delivery methods. The population projections were met at the end of 2006, and the results of the 2007 census will place the County's population beyond the 1998 CFMP's projections.

During the audit period, the County issued a request for proposals and awarded a contract for a feasibility study to evaluate long-term space needs of County and Constitutional Offices' operations in downtown Orlando. Florida Law requires that Constitutional Offices be located within the County Seat, which for Orange County is the City of Orlando. This new study is to analyze the cost of continuing to lease space versus owning space to perform County functions downtown. However, it was not meant to be a comprehensive facilities master plan. This project is on-going and the County has not yet received the final report from the consultant.



Best performance standards include preparation and maintenance of long-term plans to provide strategies in achieving and maintaining the purpose and mission of the organization. Comprehensive facility master plans are used by organizations as functional, financial, and logistical evaluation tools to provide information and assistance in maintaining land and building resources for the efficient delivery of services to constituents. The 1998 CFMP described itself as presenting "...concepts, recommendations, and action plans that can be used to develop customer oriented public buildings, improve service delivery, increase employee productivity, maximize space utilization, and minimize facility related expenditures."

As Orange County continues to grow, not only in population but in the government services provided to the population, the availability of land and facilities needed to provide those services may diminish. Further, the current study being performed may impact some of the conclusions in the 1998 CFMP. Although updating the entire CFMP may be too costly and unnecessary, maintaining long term plans will allow the County to ensure proper facilities and lands are available at reasonable costs.

We Recommend the County, upon acceptance of the feasibility study of long term space needs in downtown Orlando, considers the feasibility study's impact on the Comprehensive Facility Master Plan. Subsequently, the conclusions of the Comprehensive Facility Master Plan should be periodically reviewed and revised as necessary.

Management's Response:

Concur. This is a Department issue and not the purview of Real Estate Management. Real Estate Management utilizes the FMP in reviewing requests for leased space or increases in leased space. The FMP also includes forms for the calculation of space needs. The plan remains valid and useful.

The Department concurs with this recommendation.