

**Audit of the Financial Services
Division of the Orange County
Property Appraiser's Office**

**Report by the
Office of County Comptroller**

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February 9, 2009

Honorable Bill Donegan, Property Appraiser

We have conducted an audit of the Financial Services Division of the Orange County Property Appraiser's Office. The audit was limited to a review of the Administrative Department's Financial Services Division. The period audited was January 1, 2007 through November 30, 2007, although other periods were reviewed as necessary to obtain sufficient information for testing performed.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from you and are incorporated herein.

We appreciate the cooperation of the personnel of the Property Appraiser's Office during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Richard T. Crotty, Orange County Mayor
Orange County Board of County Commissioners
Michael Prestridge, Assistant Property Appraiser, Orange County Property Appraiser's Office
Radhica Singh, Chief Financial Officer, Orange County Property Appraiser's Office

EXECUTIVE SUMMARY

Executive Summary

We conducted an audit of the Financial Services Division (Division) of the Orange County Property Appraiser's Office. The objectives of the audit were to:

- Determine whether the Division's controls relating to revenues, expenditures, and Human Resources were adequate to ensure transactions were processed accurately, appropriately, effectively, timely, and efficiently; and,
- Review transactions for compliance with applicable Office policies and procedures, Florida Statutes, and other relevant governance.

The audit period was from January 1, 2007 to November 30, 2007, although other periods were reviewed as necessary to obtain sufficient information for testing performed. In our opinion, the Division's controls relating to revenues, expenditures, and Human Resources were adequate. In addition, based on the work performed, the Division was materially in compliance with applicable procedures, standards, and Florida Statutes. Opportunities for improvement were noted and are included in the Recommendations for Improvement section of this report. These include the following:

We noted that some employees involved in outside activities had not reported activities that could lead to potential or actual conflicts of interest. The Office was made aware of our concerns and based upon their review, terminated two employees involved with outside activities. The Office now requires that employees periodically report on their outside activities involving real estate.

For some purchases reviewed the Office did not have adequate documentation for all purchases such as purchase requests, purchase orders, and documented approvals for credit card purchases.

When reviewing the legal, and ancillary legal service vendors used, we noted that there were several vendors utilized without signed agreements and there were not documented approvals for all ancillary services obtained by legal firms used by the Office. In addition, some of the invoices from the legal vendors also did not provide adequate descriptions, detail, or documentation to support charges.

Contracts entered into for the use of temporary employees did not consistently include provisions addressing all needed contractual issues. Improvements were needed to these contracts so that they include standard statements and address additional fees or other contract aspects.

Due to the small size of the Financial Services Division there were incompatible duties shared between employees, which caused impairments in the internal control structure. We also noted that there were no procedures in the Financial Services Division addressing the revenue collection and deposit process, which may have resulted in untimely deposits. Improvements should be made to further

segregate incompatible duties and revenue handling procedures should be established.

Management concurred with or partially concurred with 30 of the 31 Recommendations for Improvement. Corrective action is completed, underway, or planned as noted herein.

ACTION PLAN

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ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Office performs the following:					
A)	Ensure employees sign statements/oaths concerning real estate licensing and appraisal work on a periodic basis, such as during their annual review; and retain these statements on file;	✓			✓	
B)	Perform periodic reviews to determine whether all applicable property activities are reported by employees;	✓			✓	
C)	If the Office decides to continue to permit employees to perform private appraisals outside of the County, revise the employee handbook at its next printing to reflect instances when this is permitted and any approvals needed;	✓				✓
D)	Require employees to report all applicable property activities/interests and retain evidence in the employee files;	✓			✓	
E)	Periodically perform reviews to determine the appropriateness of assessed values for employee owned properties; and,	✓			✓	
F)	Consider increasing the number of years that appraisal input data is maintained. In addition, consideration should be given to changing the format of the current report to make it easier to review.	✓				✓
2.	We recommend the Office performs the following:					
A)	Ensure documented approved purchase requests are obtained prior to each purchase and consider the use of a standardized purchase requisition form;		✓		COMPLETED	

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NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
B)	Ensure approved purchase orders or blanket purchase orders are issued for all applicable purchases and consider the use of a standardized purchase order and blanket purchase order form. Specific exemptions to purchase order and blanket purchase order request requirements should be detailed in the purchasing policies;		✓		COMPLETED	
C)	Maintain copies of current agreements/contracts or other documents showing rates, scope, etc., and verify invoice rates to contracted rates prior to payment; and	✓			COMPLETED	
D)	Adequately document justifications for any purchases classified as sole source and ensure purchases meet sole source guidelines.	✓			✓	
3.	We recommend the Office performs the following:					
A)	Ensures expiration dates are included in all contracts;	✓			✓	
B)	Ensures vendors comply with contract terms;	✓			✓	
C)	Obtains and documents a minimum of three written quotations, bids, or RFPs on all anticipated cumulative purchases above \$1,000 for the year; and,	✓				✓
D)	Reviews the automatically renewing contracts and if warranted, cancel and rebid the contracts.	✓				✓

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NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
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4.	We recommend the Office establishes, implements, and complies with policies and procedures to address credit card purchases, including authorizations, supporting documentation, purchase limits, and disputed purchases. The Office should also consider the use of a log to be completed by the card user for purchases with reconciliation to the credit card statement.	✓			COMPLETED	
5.	We recommend the Office performs the following:					
A)	Enter into, or update, agreements or engagement letters for legal services;	✓				✓
B)	Prior to payment, verify the rates invoiced agree with up to date contracts or the supporting rate sheets kept on file;	✓			COMPLETED	
C)	Consider including in the agreements with legal counsels the customary ancillary legal services used and acceptable thresholds that may be incurred prior to obtaining additional documented approvals from the Office. Otherwise, create an approval process that adequately documents the use of ancillary legal services;	✓			✓	
D)	Require legal counsels using ancillary legal services to document their review and approval of services provided prior to forwarding the invoices to the Office for payment; and,	✓			✓	
E)	Require adequate invoicing from legal counsels with clear descriptions supporting the work performed, including the date and time spent, for each task executed prior to payment.	✓			✓	

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6.	We recommend the Office reviews the contract/temporary employee contracts and ensures contracts entered into in future contract cycles include the following:					
A)	A statement that the agency is an equal opportunity employer;	✓				✓
B)	Rates paid when temporary/contract employees work in excess of 40 hours in a work week;	✓				✓
C)	Rate increases allowed based on the length of time worked at the site or performance, if applicable;	✓				✓
D)	A requirement to allow the Office to have temporary/contract employees sign confidentiality or loyalty oath statements;	✓				✓
E)	The frequency of billings and fee amounts for late payments; and,	✓				✓
F)	Any fee amounts to be paid to the agency should an employee be hired permanently by the Office.	✓				✓
7.	We recommend the Office creates a standard annual agreement to be used with purchasers of ortho-rectified images and maintain documentation to support methods by which fees are determined, deviations (with justifications) from the method, and the application of fees from late entrants.		✓		✓	
8.	We recommend the Office implements internal controls to segregate incompatible duties in the fiscal function.		✓			✓
9.	We recommend the Office establishes revenue handling procedures. These should address timely deposit, date stamping, and the invoice collection process.	✓			✓	

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10.	We recommend the Office creates and implements policies that follow the State of Florida records retention rules for documents imaged by the various Departments.	✓			✓	
11.	We recommend the Office improves security over the physical access to building work areas.			✓		

INTRODUCTION

Background

The Orange County Property Appraiser's Office (Office) is responsible for producing valuations of real and personal properties within the County. These valuations are based upon sale activity and trends in the marketplace and are used as the basis for the taxes billed to property owners by the Orange County Tax Collector. The Office also maintains maps of parcel boundaries, descriptions of buildings/property, and processes various tax exemptions for qualifying property owners.

The 2007 certified tax roll produced by the Office had 425,069 real property parcels and a total taxable value (assessed value less exemptions) of \$107.3 billion of which residential property accounted for \$62.6 billion. For Fiscal year 2007-2008 the Office had a budget of \$11.8 million and 138 authorized staff positions.

The budget for the Office is approved by the State of Florida Department of Revenue and is then billed by the Office to various taxing authorities in an amount proportional to their share of ad valorem taxes assessed. The Office's Financial Services Division (Division) is responsible for billing the various taxing authorities. The Division also is responsible for billing agencies or individuals for information or maps purchased from the Office. The Division performs various other tasks, including payroll processing, payments to vendors, purchase review and approval, contracting with vendors, and other fiscal functions. The Division contains the Human Resources group and, as such, is involved with employee performance reviews, employee benefits, hiring of employees and other employment related activities.

Scope, Objectives, and Methodology

The scope of the audit included a review of the Office's Financial Services Division. The audit period was from January 1, 2007 to November 30, 2007, although other periods were reviewed as necessary to obtain sufficient information for testing performed. The objectives of the audit were as follows:

- 1) To determine whether the Division's controls relating to revenues, expenditures, and human resources

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were adequate to ensure transactions were processed accurately, appropriately, effectively, timely, and efficiently; and,

- 2) Review transactions for compliance with applicable Office policies and procedures, Florida Statutes, and other relevant governance.

We obtained documentation for a sample of current employees, new hires, temporary employees, and terminated employees. The documentation was reviewed to determine whether employee benefits, appraisals, and pay increases were appropriately performed and adequately documented.

A sample of pay periods was selected and the employees paid were reviewed to ensure the employees existed. The documentation for the payroll processing was reviewed to ensure it was properly approved, hours reported matched those processed, pay amounts were accurate, and deductions were accurate and supported.

Purchases were reviewed by selecting three samples of payments within the following ranges:

- \$1,000 and under;
- \$1,001 to \$25,000; and,
- \$25,001 and above.

These purchases were reviewed for accuracy of processing, appropriateness of the items purchased, and whether purchases complied with applicable procedures, standards, and best practices.

To review expenditures made for legal counsels and ancillary legal service providers (such as expert witnesses or transcription services) we determined which vendors the Office used and then reviewed all payments made during the audit period. The payments were compared to contracts for accuracy of amounts billed, compliance with scope of services, and adequate approvals of various charges.

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We also reviewed other functions performed by the Division, such as the following:

- Employee travel expense reimbursement checks for the appropriate approvals and supporting documentation.
- Credit/fleet cards for appropriate approvals and supporting documentation.
- Billings to the various taxing authorities for accuracy and timely collection.
- Deposit documentation was reviewed for completeness and timeliness of deposits by tracing records of monies reported as collected by Customer Service, Information Technology and the Finance Division to the bank deposit.

In addition, we reviewed other items as deemed necessary during the audit.

Overall Evaluation

In our opinion, the Division's controls relating to revenues, expenditures, and human resources were adequate. In addition, based on the work performed, the Division was materially in compliance with applicable procedures, standards, and Florida Statutes. Recommendations are provided herein where improvements are needed.

RECOMMENDATIONS FOR IMPROVEMENT

1. Improvements Are Needed In Reporting and Review of Employee's Outside Employment and Real Estate Transactions To Prevent Potential Conflicts of Interest

The Office encourages employees to obtain professional designations, such as the Certified Residential Appraiser designation, to improve the quality and professionalism of work generated by the Office. However, there is a potential for conflicts of interest to occur should a licensed employee perform similar services outside the Office. During our audit, we noted the following:

- A) When reviewing employees with the Certified Residential Appraiser designation, we found evidence that three employees were involved with, or employed by, private appraisal companies. The Division did not have any evidence on file showing that the noted employees informed them of their outside employment. Two of the noted employees were reported in the Florida Secretary of State's public records as owning appraisal service companies and these companies reported Orange County as a service area on their websites. All three employees worked in the Real Estate Assessment Division and had access to appraised property value data. After we notified the Office of our concerns, they performed further research and it was discovered that two of the employees had performed private appraisals of properties within the County.

To prevent potential or perceived conflicts of interest, the Office's employee handbook states, "...if you hold an active appraiser registration, license, or certification, you may not appraise real property for others, either written or oral." We were informed that the policy had been informally changed by the Property Appraiser to allow employees to perform appraisals outside of the County and this change would be added to the employee handbook. The employee handbook also states, "Should you find it necessary to work a second job, you must submit the

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details of your employment to your director and to the CFO. They will review the situation to ensure that it does not create a scheduling problem or conflict of interest.”

When reviewing Florida Commission on Ethics Opinion No. 88-1, we noted that it states:

A prohibited conflict of interest would be created under Section 112.313(7), Florida Statutes, were employees of a county property appraiser to engage in private real estate appraisals of property located in the county. Appraisals of property in the county could be used as a basis for challenging the property appraiser's official appraisal. In addition, the employees of the office have direct access to information of value in appraising such property, some of which is confidential by law and some of which would be available to the employees of the office before it would be available to the general public. However, no prohibited conflict of interest would be created were employees privately to appraise property located outside the county as the possibility that the appraisals would be used to challenge an official appraisal in the county would appear extremely remote.

In addition, none of the three employees noted had completed the Statement Regarding Independent Fee Appraisal Work form. This form has the employee agree to the following: “...if I hold an active Florida Real Estate Appraiser or Registered Real Estate Appraiser Trainee License, I will not perform any appraisal work whether for fee or not, in Orange County, Florida during the time that I am employed by the Orange County Property Appraiser in order to comply with the Conflict of Interest policy of [the Property Appraiser's Office].”

- B) When reviewing employees with Real Estate/Broker licenses, we found five employees with active

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licenses. After further review of these five employees, we found evidence that two appeared to be affiliated with real estate firms. The employees noted were employed in the Real Estate Assessment Department and have access to appraised values. The Loyalty Oath and Statement Regarding Real Estate License is signed by all employees and states that if the employee holds "...an active Florida real estate salesman's license or broker's license ... at any time during [their] employment, [they] will not use it in any way during the time [they] are employed by the Property Appraiser." Both of these employees signed the Oath and Statement when hired. Although one employee indicated their license was inactive on the form (dated January 1992), it was active at the time of our review. In addition, there was no documentation on file to indicate the employee had obtained permission for, or informed the Office of, any real estate activities.

The Florida Commission on Ethics Opinion No. 82-86 advises that the "Code of Ethics for Public Officers and Employees would not prohibit an employee of a county property appraiser's office from holding an active real estate license placed with a broker, while agreeing to refrain from engaging in any real estate function which requires a license unless prior, written consent of the property appraiser were obtain."

- C) We found evidence that an employee noted above also owns a property rental company and has part ownership of another property rental company, along with two other Office employees (who did not have real estate/brokers licenses). When reviewing the employee files, we did not see evidence to indicate that they had reported their ownership of the rental properties or their involvement with the rental companies. We were informed by a member of management that they were aware of rental properties, but not the rental company.

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Outside employment or business activities have the potential to cause perceived or real conflicts of interest depending upon the employee's position, access to appraised values, and the type of outside employment or activity pursued. Without procedures to review for outside employment such as obtaining updated Loyalty Oath and Statements Regarding Real Estate License, and Statements Regarding Independent Fee Appraisal Work forms, the Office may not be aware of those employees having potential conflicts.

Additionally, when researching the employees who appeared to be involved in outside employment, or other business activities, we requested an audit trail report to show any changes made to the valuation of their personally owned properties and who made the change. We were informed that the report available in the appraisal system shows only current and prior year information and is in a format that is difficult to use. Audit trails are an essential component of a well designed computer system, providing a map to retrace the flow of system changes from origination to the updated file.

The above situations were brought to the attention of the Office during our review. Further investigation of these matters by the Office resulted in the termination of two of the noted employees based on their findings. In addition, the Office reiterated the policies to their employees and required all appraisers to update their outside employment status. The Office should be commended for further reviewing these issues and the taking actions they deemed necessary.

We Recommend, in addition to the actions already noted above, the Office performs the following:

- A) Ensure employees sign statements/oaths concerning real estate licensing and appraisal work on a periodic basis, such as during their annual review; and retain these statements on file;
- B) Perform periodic reviews to determine whether all applicable property activities are reported by employees;

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- C) If the Office decides to continue to permit employees to perform private appraisals outside of the County, revise the employee handbook at its next printing to reflect instances when this is permitted and any approvals needed;
- D) Require employees to report all applicable property activities/interests and retain evidence in the employee files;
- E) Periodically perform reviews to determine the appropriateness of assessed values for employee owned properties; and,
- F) Consider increasing the number of years that appraisal input data is maintained. In addition, consideration should be given to changing the format of the current report to make it easier to review.

Management's Response:

- A) Concur and Underway.
- B) Concur and Underway.
- C) Concur and Planned. This recommendation will be implemented and included in the next printing of the OCPA Employee Handbook. Until the next printing, we have addressed the performance of private appraisals outside of the County by issuing an addendum to the employee handbook to each OCPA employee. The addendum clearly explains our position on outside employment.
- D) Concur and Underway.
- E) Concur and Underway.
- F) Concur and Planned. Currently we are unable to implement programming changes to our CAMA (Computer Assisted Mass Appraisal) system in order to increase the number of years that appraisal input

data is maintained however, we will consider implementation of this recommendation for the future if it is feasible to do so. To address the current report format and improve user friendliness, we have changed policy to have the CAMA Manager investigate any specific questions on a case-by-case basis rather than use the versioning report that was available in the 2008 CAMA system.

2. Purchasing Procedures and Processes Should Be Improved

To test purchases, we selected a sample of 30 vendor payments covering various thresholds of the purchasing policy. These vendor payments included 42 separate purchases and 51 vendor invoices (some payments had multiple invoices). From our review of the invoices and their supporting documentation, we noted the following:

- A) Documented purchase requests were not prepared for 16 percent (5 of 31) of the applicable purchases reviewed. However, we were informed that verbal approvals were sometimes given and due to the small size of the Office, staff stated they were aware of purchases where verbal approvals were given. Additionally, we noted that there was not a standard requisition form used in the Office. The Office's Policies and Procedures Manual in the Procurement-Purchase Requests Section states, "Written purchase requests will be used to inform the Administrative Services Department of the needs of the user department, division, work group or individual and to correctly identify goods and services requested. These requests are considered an integral part of the documentation for the purchase of goods and services."
- B) Purchase orders were not prepared for 19 of 30 applicable purchases reviewed. Office policy requires that, "upon receipt of the purchase request, the Administrative Services Department shall process the

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request and a purchase order, contract or check will be issued." Although the procedures do not require a purchase order, the procedures are not specific as to when a check may be directly issued (other than emergency purchases). Standard practice to ensure accountability for government purchases requires the use of a completed and approved purchase order for purchases or a blanket purchase order for repeat purchases.

- C) For six of 34 applicable invoices reviewed, we were unable to verify the amounts charged were appropriate due to the lack of a purchase request, purchase order, contract, or other agreement stating the agreed-upon amounts. Amounts paid should be supported with an agreed-upon amount shown in a purchase request, purchase order, or agreement/contract.

- D) Nine of the 42 purchases (totaling \$118,000) reviewed were listed as sole source purchases; however, no justification was found explaining why these items were classified as sole source purchases. In addition, four of the purchases could have been made with other vendors and competitive bids should have been obtained for at least three of the four. The purchase amounts ranged from \$1,623 to \$26,795. The Office's Policies and Procedures Manual states, "Any sole source item must meet both of the following criteria: 1) It is the only item that will produce the desired result [and] 2) It is available from only one source of supply."

An efficient and effective procurement program requires following established standard policies and procedures that ensure all purchases have been authorized, vendors are being paid at the agreed rate, and competition was sufficient to obtain the best price in an open and fair manner.

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We Recommend the Office performs the following:

- A) Ensure documented approved purchase requests are obtained prior to each purchase and consider the use of a standardized purchase requisition form;
- B) Ensure approved purchase orders or blanket purchase orders are issued for all applicable purchases and consider the use of a standardized purchase order and blanket purchase order form. Specific exemptions to purchase order and blanket purchase order request requirements should be detailed in the purchasing policies;
- C) Maintain copies of current agreements/contracts or other documents showing rates, scope, etc., and verify invoice rates to contracted rates prior to payment; and,
- D) Adequately document justifications for any purchases classified as sole source and ensure purchases meet sole source guidelines.

Management's Response:

- A) Partially Concur and Complete. Purchase requests were obtained prior to purchasing goods or services. They were in the form of a Memo, an Email, or sometimes, verbal approval was given. The Office now uses a standardized purchase requisition form for all Departments. Prior to this Audit, the IT Department was the only Department that used such a form.
- B) Partially Concur and Complete. Approved purchase orders are issued for applicable purchases. Prior to this Audit, there was minimal use of blanket purchase orders. Instead, the Office would use standard purchase orders, memos and emails to document and justify a purchase request. All purchases were approved by Department Directors as well as the CFO. The Office now issues blanket purchase orders

as well as using standardized forms. The purchasing policies are now updated with specific exemptions to purchase order and blanket purchase order requests.

- C) Concur and Complete.
- D) Concur and Underway.

3. Tracking and Review of Contract Terms Is Needed

During our review of the contracting procedures, we noted the following:

- A) The Office had several contracts with various vendors that did not contain expiration dates, or that contained provisions allowing the contract to automatically renew at the end of each period. For the audit period, \$19,883 was paid to vendors that had non-expiring contracts. In one case, the rate paid to a vendor was \$45 per month; however, the contract stated \$35 per month and there was no documentation to show the Office's acceptance of the higher rate. Allowing contracts to automatically renew, without rebidding, circumvents the bidding process. In one instance, the Division did not have the agreement on file for one of these types of contracts; we also noted that some other agreements requested during the audit were not on file.
- B) When reviewing purchases under a \$1,000, we noted two vendors had cumulative purchases that exceeded \$1,000 during the 10-month audit period. Purchases from one vendor totaled \$1,531 and the other \$2,750. In both of these cases, it was reasonable to assume the yearly purchases would exceed \$1,000. There were no documented bids in the Office for either vendor. We were informed that verbal quotes had been obtained for one vendor; however, this was not documented. A contract was entered into for the other vendor in 2002; however, there was no support to show bids were obtained. The Office's Policies and

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Procedures Manual states: "Prices for purchases over \$1,000 will be obtained by written quotations. Every effort will be made to obtain a minimum of three (3) quotations – one of which shall be a county-certified Minority/Women Business Enterprise firm, if available – for each item or group of items requested."

Best practice requires that contracts be obtained when needed and that those in use are available for reference along with the supporting bid or RFP quotes. In addition, contracts should be structured to increase competitiveness and should be appropriately monitored.

We Recommend the Office performs the following:

- A) Ensures expiration dates are included in all contracts;
- B) Ensures vendors comply with contract terms;
- C) Obtains and documents a minimum of three written quotations, bids, or RFPs on all anticipated cumulative purchases above \$1,000 for the year; and,
- D) Reviews the automatically renewing contracts and if warranted, cancel and rebid the contracts.

Management's Response:

- A) Concur and Underway.
- B) Concur and Underway.
- C) Concur and Planned.
- D) Concur and Planned.

4. Adequate Procedures Should Be Developed For Credit Card Purchases

While performing a review of purchases made with the Office's credit card, there were several items (13 purchases

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totaling \$1,963) without documented management approval to purchase the item. We were informed that verbal approval was given for these purchases. For some of these purchases (such as seminar registrations, vehicle washes, gift cards, catering services, and job postings) the only support was a receipt. In one instance, the supporting documentation for a vehicle service did not indicate it related to an Office vehicle. We were able to confirm it was related to an office vehicle during the course of the audit.

The Office maintains a vehicle log that could be used to trace payments made with the fleet card to days the vehicle was in use; however, there is no log to track purchases for the credit card. A log completed by the card user can aid in providing details about purchases where the support documentation is otherwise not adequate. Such logs can also be expanded to track approvals and card users.

We also noted there were no policies and procedures addressing the use of credit cards. The lack of policies and procedures to govern the use of credit purchases can create an environment where there is a greater likelihood for unauthorized activity resulting in the loss of funds.

We Recommend the Office establishes, implements, and complies with policies and procedures to address credit card purchases, including authorizations, supporting documentation, purchase limits, and disputed purchases. The Office should also consider the use of a log to be completed by the card user for purchases with reconciliation to the credit card statement.

Management's Response:

Concur and Complete.

5. Improvements Are Needed For Legal and Ancillary Services Obtained

From our review of legal and ancillary legal services, we noted the following:

- A) Only one of the six law firms hired by the Office had a signed agreement. Approximately \$446,000 was expended on legal services without signed agreements. Additionally, the one ancillary legal service vendor hired directly by the Office did not have a signed agreement. Although the legal and ancillary legal services obtained appeared appropriate and the rates reasonable, without agreements there is no evidence that rates charged were accurate or services provided were within the authorized scope. In addition, contract terms help clarify and resolve issues that could occur during the engagement.

- B) We noted that there was no written evidence authorizing legal firms to procure various ancillary legal services. Legal firms should be required to obtain approval prior to obtaining these services or be given approval to acquire certain services meeting predetermined criteria. Without a process to obtain approval when ancillary legal vendors are used, the Office cannot confirm that amounts invoiced were accurate or whether services provided were those agreed-upon.

- C) Legal firms hired by the Office often obtain ancillary legal services and forward invoices for payment directly to the Office. We attempted to obtain rate sheets for these services to determine whether the amounts paid were accurate. We reviewed the seven ancillary vendors utilized during the audit period and noted the following:
 - An outdated rate sheet was on file for one vendor.

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- Three rate sheets had to be obtained from the vendors because the Office did not have copies on file. We were unable to match the rates shown on the sheets to the rates billed for two of the three rate sheets obtained.
- Two vendor rate sheets were on file (the amounts paid agreed with the rate sheet) however, one rate sheet was signed after the Office had already paid \$13,536.
- One vendor rate sheet for appraisal services was not available in the Office and the Office was unable to obtain the sheet from the vendor for our review.
- None of the ancillary legal service invoices showed any evidence of having been reviewed or approved by an individual at the law firm obtaining the service.

From the above, it appears the invoices for services obtained from ancillary legal vendors do not go through a review and approval process by either the hiring law firm or the Office; although from our work, all items reviewed appeared reasonable and customary.

- D) When reviewing the invoices from the various legal vendors we noted that in some instances there were insufficient descriptions, details, or documentation to support the charges. In one case, we reviewed an invoice with travel that did not have copies of hotel or airline receipts to support the charges incurred. In other cases invoices had inadequate descriptions of services provided, insufficient breakdown of rates charged, did not include dates of services provided or who performed the task. Without complete information on each invoice, employees reviewing or approving invoices may not be able to verify the time charged or the accuracy of services reported as provided.

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As noted above, the legal and ancillary legal services obtained appeared appropriate and the rates reasonable. When there are documented reviews by staff, agreements showing the nature of services to be expected, agreed-upon rates, and sufficiently detailed invoices from vendors, it helps to create an environment where inaccurate payments to vendors are less likely to occur.

We Recommend the Office performs the following:

- A) Enter into, or update, agreements or engagement letters for legal services;
- B) Prior to payment, verify the rates invoiced agree with up to date contracts or the supporting rate sheets kept on file;
- C) Consider including in the agreements with legal counsels the customary ancillary legal services used and acceptable thresholds that may be incurred prior to obtaining additional documented approvals from the Office. Otherwise, create an approval process that adequately documents the use of ancillary legal services;
- D) Require legal counsels using ancillary legal services to document their review and approval of services provided prior to forwarding the invoices to the Office for payment; and,
- E) Require adequate invoicing from legal counsels with clear descriptions supporting the work performed, including the date and time spent, for each task executed prior to payment.

Management's Response:

- A) Concur and Planned.
- B) Concur and Complete.
- C) Concur and Underway.

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- D) Concur and Underway.
- E) Concur and Underway.

6. Contracts for Temporary/Contract Employees Should Be Revised

When reviewing the invoices and agreements entered into by the Office for temporary and contract employees, we noted some of the contracts did not include the following:

- A statement affirming that the employment agency is an equal opportunity employer. The Office is an equal opportunity employer and as such should ensure that temporary employment agencies used are also equal employment opportunity employers. This would help to prevent the potential for an inadvertent bypass of the equal employment opportunity requirement through the use of an employment agency.
- The rates paid for hours worked in excess of 40 per week, or rate increases based on the length of time worked at the site or performance.
- Requiring temporary employees to sign confidentiality or loyalty oath agreements. These agreements are used to disclose potential or actual conflicts of interest, or to agree to maintain the confidentiality of certain information processed.
- The frequency of invoice billings and any late fees.
- Fee amounts to be paid to the agency if an employee is hired permanently by the Office.

Additionally, another contract stated that the Office will “pay an overtime rate of one and half time[s] the Bill Rates shown ... for all work performed by Temporary Workers in excess of forty hours per person per week.” The hourly bill rate in this contract was \$12.87 while the hourly rate of pay for the

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temporary employees was \$9.00. The difference in rates (\$3.87) accounts for profit to the agency, insurance payments, employment taxes, and other costs. While certain amounts may increase with an overtime payment, consideration should be given to negotiating the profit portion due to the temporary employment agency, as the amount of work performed by the agency may not increase, or may not increase significantly with overtime payments.

Without adequate terms and conditions for the agencies contracted with, the agreements entered into may not sufficiently address potential areas of disagreement. Should there be any disagreement with any of the contracted agencies, it could be more difficult to resolve a dispute.

We Recommend the Office reviews the contract/temporary employee contracts and ensures contracts entered into in future contract cycles include the following:

- A) A statement that the agency is an equal opportunity employer;
- B) Rates paid when temporary/contract employees work in excess of 40 hours in a work week;
- C) Rate increases allowed based on the length of time worked at the site or performance, if applicable;
- D) A requirement to allow the Office to have temporary/contract employees sign confidentiality or loyalty oath statements;
- E) The frequency of billings and fee amounts for late payments; and,
- F) Any fee amounts to be paid to the agency should an employee be hired permanently by the Office.

Management's Response:

- A) Concur and Planned.

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- B) Concur and Planned.
- C) Concur and Planned.
- D) Concur and Planned.
- E) Concur and Planned.
- F) Concur and Planned.

7. **Agreements Should Be Issued For Purchasers of Aerial Images**

The Office creates aerial images layered over parcel information (termed ortho-rectified images) on an annual basis and shares this information with other agencies for a negotiated fee to help recover costs. While the Office attempts to negotiate a fee based upon the specific taxable value of each agency's tax rolls, the amount actually invoiced may not have any relation to this value. When reviewing the Office files, we noted that there was no documentation to show the basis of the rates charged. In addition, the Office was unable to provide documentation to support how they track and redistribute fees charged to late entrants in the following year, although we were informed that this occurs.

The Office also does not utilize agreements with the agencies obtaining the images. Agreements are useful in presenting terms such as amounts to be paid, basis for amounts charged, payment terms, dispute resolution, and any redistribution of fees in cases of late entrants.

We Recommend the Office creates a standard annual agreement to be used with purchasers of ortho-rectified images and maintain documentation to support methods by which fees are determined, deviations (with justifications) from the method, and the application of fees from late entrants.

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Management's Response:

Partially Concur and Underway. Concur with the recommendation to create standard annual agreement. This is fine to implement since we currently have interlocal agreements with our partners. As far as the allocation of fees, we have already implemented a fair method, based on their percent share of the property tax revenue. However, not all agencies are likely to participate in data collection projects, and that decision offsets the appropriations. Those partners who decide to participate may not have the exact amount of their share in the budget. We have been lucky to get the support of some of our partners, including agencies such as OUC who do not receive a share of the property tax revenue, yet partner to offset the data acquisition cost. Without such cost-sharing partnership no one agency would be able to carry the total cost burden, and ultimately everybody (including the citizens) stand to lose.

8. Internal Controls In The Financial Services Division Should Be Improved

We noted that additional segregation of duties would aid in establishing and reinforcing internal controls. The current lack of segregation of certain duties is further complicated because the fiscal section consists of only the CFO and an Accountant Specialist. For example, during our review we noted the following:

Position	Conflicting Accesses/Function		Potential Effect
	Accesses/functions No. 1	Accesses/functions No. 2	
Accountant Specialist	Maintains custody of the check stock	Ability to print signed checks	Could prepare and sign unauthorized checks
Accountant Specialist	Orders check stock	Ability to print signed checks	Could order unauthorized check stock and prepare and sign unauthorized

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Position	Conflicting Accesses/Function		Potential Effect
	Accesses/functions No. 1	Accesses/functions No. 2	
			checks
CFO and Accountant Specialist	Prepares checks and has ability to modify accounting records	Performs bank account reconciliations	Has the ability to conceal or make adjustments for unauthorized transactions
CFO and Accountant Specialist	Has check printing duties	Has custody of the check stock	Could print unauthorized checks
Accountant Specialist	Has custody of the Office's credit card	Reconciles the credit card statements and prepares the check	Has the ability to make and conceal unauthorized transactions
Accountant Specialist	Processes payroll after approval by the CFO	Can add or modify payroll information	Could adjust payroll to make and conceal unauthorized transactions

While these conflicting duties may currently exist due to the small size of the fiscal staff, good internal controls require that steps are taken to create segregations of duties or compensating controls to prevent loss due to unauthorized transactions.

During the course of the audit, the Office changed certain procedures to address the segregation of duties in certain areas. For example, after the biweekly payroll submittal is sent for processing by the Accountant Specialist, the CFO tests the accuracy of a sample of items from the payroll submittal.

We Recommend the Office implements internal controls to segregate incompatible duties in the fiscal function.

Management's Response:

Partially Concur and Planned. Because of the size of the Agency, and the uniqueness of the positions in the Fiscal Section, it is very difficult to segregate the incompatible duties. The Property Appraiser has the final approval on all duties in the fiscal section such as Payroll, Purchasing, New Hires and Promotions. The cost to add another position to segregate duties is not justifiable at this time as it will cost the Agency anywhere from \$36,000 - \$50,000. The Agency however will use the resources available to put more checks and balances in place.

9. Controls Over the Collection and Deposit of Revenues Need Improvement

During our review of the revenue collection and deposit process, we noted the following:

- A) Twenty-five percent (12 of 48) of the deposit items reviewed were not deposited timely. Since there were no cash/check handling procedures addressing timeliness, all deposits taking seven or more business days were considered untimely for our review. Funds should be deposited timely (e.g. the County requires monies to be deposited when collections exceed \$200 or at least weekly). The longer funds remain in the Office without being deposited the more susceptible they are to loss.

Additionally, we were unable to determine the timeliness of some deposits because the check stub included in the file was not stamped to show when it had been received by the Office. A log of the date checks are received should be maintained to achieve accountability over the collection process.

- B) During our audit (February 2008), we noted an unpaid billing invoice, (from the Office's Information Technology Department) for \$13,500 prepared in August 2007. No collection efforts had been made

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since November 2007. The Office has since taken steps to collect the amount due and restructured the billing process to help prevent this from reoccurring.

- C) There are no procedures detailing the revenue collection and deposit processes. Procedures should be written and followed to ensure funds are secured, recorded, and deposited timely.

Without adequate procedures over the revenue collection and deposit processes, accountability and safeguarding of funds collected may not be achieved.

We Recommend the Office establishes revenue handling procedures. These should address timely deposit, date stamping, and the invoice collection process.

Management's Response:

Concur and Underway. All monies are deposited once a week. A written revenue handling procedure is complete and in place. The back-up documentation supporting the collection of checks or cash is dated or date stamped. Fiscal is the only section responsible for invoicing vendors. For collection, the Customer Service and IT Departments collect monies and forward it on to the Fiscal Section for recording and depositing.

10. Policies Should Be Developed To Address The Retention Of Imaged Documents

The Office scans some documents received into their system and shreds the paper copy since certain documents contain confidential information (such as social security numbers on exemption applications). When inquiries were made with the Information Technology Director concerning records retention policies for the images in their system, we were informed that there were no formal policies concerning how long these images are retained. Documents received by government agencies are required to be maintained

according to the State of Florida General Records Schedule for State and Local Government Agencies.

We Recommend the Office creates and implements policies that follow the State of Florida records retention rules for documents imaged by the various Departments.

Management's Response:

Concur and Underway.

11. Improvements To Physical Security Should Be Considered

There are no swipe card pads or coded locks on doors (other than the server room) within the Office to discourage unauthorized persons from accessing back offices. Automatically locking doors aid in securing equipment, information, documentation, and staff from unauthorized access leading to the loss of assets.

We Recommend the Office improves security over the physical access to building work areas.

Management's Response:

Do Not Concur. The Office believes that the customer service staffs who greet the public when they enter the Agency along with the staff within Administration Operations that greet anyone visiting the Administrative area is a sufficient security measure. In addition, unlike most county facilities we have an on-site security team provided by the property management. In addition, this year the Agency installed a silent panic-button system that is directly wired to the security desk in case of an emergency situation. Elevators do not stop at the 16th and 17th floors after 5:00 pm weekdays. Employees are required to have an access card and prior approval from Management for after-hours and weekends.