

Follow-Up of the Audit of the Real Estate Management Division

**Report by the
Office of County Comptroller**

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**Report No. 426
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TABLE OF CONTENTS

Transmittal Letter.....	3
Implementation Status of Previous Recommendations For Improvement	4
Introduction.....	8
Scope and Methodology	9
Follow-Up To Previous Recommendations For Improvement - Real Estate Management Division	10
1. Audit Clauses Should Be Included in Lease Agreements and in Telecommunications Tower Leases.....	11
2. Deposits of Revenue Should Be Made in a Timely Manner	12
3. Lease Payments Should Be Monitored To Ensure Amounts Paid Are in Accordance With Lease Terms	13
4. Improvements Are Needed in Maintaining Inventories of Owned, Leased, and Assigned Parking Spaces	14
Follow-Up To Previous Recommendations For Improvement- Administrative Services Department	17
1. A Comprehensive Facilities Master Plan Should Be Maintained and Periodically Updated.....	18

November 2, 2012

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted a follow-up of the Audit of the Real Estate Management Division (Report No. 385). Our original audit included the period of October 1, 2005 through June 30, 2006. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 2010 through March 31, 2012.

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.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following each recommendation is a summary of the current status as determined in this review.

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

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
John Terwilliger, Director of Administrative Services

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

**FOLLOW-UP OF THE AUDIT OF THE REAL ESTATE MANAGEMENT DIVISION
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT
REAL ESTATE MANAGEMENT DIVISION**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	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 continues 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.	✓			

FOLLOW-UP OF THE AUDIT OF THE REAL ESTATE MANAGEMENT DIVISION
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT
REAL ESTATE MANAGEMENT DIVISION

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
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.		✓		

FOLLOW-UP OF THE AUDIT OF THE REAL ESTATE MANAGEMENT DIVISION
STATUS OF OTHER PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT
ADMINISTRATIVE SERVICES DEPARTMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
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 Comprehensive Facilities Master Plan (CFMP). Subsequently, the conclusions of the CFMP should be periodically reviewed and revised as necessary.	✓			

INTRODUCTION

INTRODUCTION



Follow-Up of the Audit of the
Real Estate Management Division

Scope and Methodology

We have conducted a follow-up of the Audit of the Real Estate Management Division (Report No. 385). Our original audit included the period of October 2005 to June 2006. Testing of the status of the previous Recommendations for Improvement was performed for the period October 2010 through March 2012. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

We interviewed personnel with the Real Estate Management Division (Division hereafter). We also reviewed source documents and performed the tests necessary to determine the implementation status of the previous recommendations. We have described the specific methodologies utilized during our review in the implementation status of each Recommendation in the Follow-Up to Previous Recommendations for Improvement section of this report.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT - REAL ESTATE
MANAGEMENT DIVISION**

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

During the prior audit of the Division, we noted that a number of facility leases that contained additional rents based on sharing of expenses did not include an audit clause.

We also noted that 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 then that amounts received during the original audit period did not conform to the amounts due as specified in the various site agreements between the Provider and the carriers utilizing the towers. In some cases the Provider was unwilling to provide the County with a complete copy of their agreements with the carriers.

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 continues 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.

Status:

- A) Implemented. We reviewed lease documents where the County was required to pay amounts in addition to the base rent and noted that only one of seven (lease

file no. 2053A) did not contain an audit clause. However, we also noted that the contract indicated that this was a sub-lease; the County leased the facility from an entity that held the master lease with the lessor. In addition, interviews with management revealed that, although the Division requested that an audit clause be added to the contract, the request was not granted.

Further, we noted that section 3. Rent, c. Additional Rent, of the Division's Standard Lease Agreement template states,

"In the event that, pursuant to the terms of this Lease, Lessee is obligated to pay its proportionate share of all Operating Expenses and Common Area Costs, Lessee shall have the right to audit Lessor's books and records..."

- B) Not Applicable. We reviewed the County's Request for Proposals for Telecommunications Tower Site Analysis, Development, License Marketing and Property Management Services under Y12-160ZM and noted that all executed license agreements will be between the County and Tenant as negotiated by the Consultant. The Consultant will no longer be a party to the contract with the third party communication carriers.

We reviewed correspondence between the Division and the Provider and noted that although requested several times, the County has been unable to get complete information from the Provider to reconcile the lease payments.

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

During the prior audit, we noted that the Division did not always date stamp the check transmittal documentation when telecommunication tower lease payments were received. We found the length of time from receipt to

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the
Real Estate Management Division

deposit ranged from one day to 41 days. Additionally, payments received from the Lease Broker took from six to 35 days.

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.

Status:

Partially Implemented. We reviewed check transmittal documents and noted that four of the nine check transmittals were not stamped with the date the check was received by the Division. As such, we were unable to conclusively determine the timeliness of deposits. However, based on the documentation reviewed, it appears the checks received were all deposited within one business day.

We Again Recommend check transmittal documentation received by the Division be date stamped upon receipt.

Management's Response:

Concur. We concur and have implemented this recommendation. As you are aware, although several checks were inadvertently not date stamped, they appeared to have been deposited within one business day.

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

During the prior audit, we noted that 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 were automatically due at the beginning of each month and invoices were not received. We were informed that the Division did not receive a listing of the lease payments that were going to be made for a

given month. Therefore the Lease Program Manager did not have an opportunity to review and approve lease payments before they were made. In our general test of the Division's expenditures we noted an error rate of 21 percent for lease payments.

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.

Status:

Implemented. We confirmed the Division's receipt of the Schedule of Lease Payments prepared by the Comptroller's Accounts Payable Section for all three of the months reviewed. In addition, interviews with Division management revealed that the amounts paid for leases managed by the Division are verified when management signs the Schedule of Lease Payments attesting "that the vendor, payment amount and the term of the lease on the report are correct." Further, we confirmed that the three schedules noted above did contain management's signature and testing of the amounts paid for the month of March 2012 found no discrepancies between the amount paid and the contractual rate.

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

During the prior audit, we noted that 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. Further, the Division's database was incomplete and contained unutilized parking spaces and several cardholders that no longer worked at the assigned locations.

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.

Status:

- A) Implemented. We confirmed that a schedule of parking facilities where the County owns or leases parking spaces was prepared and contained the total number of spaces available by location, as well as, the number of spaces at each location assigned to each Department, Constitutional Officer, or other Agency. In addition, we noted that the schedule was compiled from data contained in an Access parking database that included the individual cardholder's name and access card number.
- B) Partially Implemented. We reviewed Division guidelines and noted that "Parking Permit

STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT



Follow-Up of the Audit of the
Real Estate Management Division

Procedures” were developed. These procedures address the issuance and inventory of parking permits but do not address the certification of a valid driver’s license and insurance. Further, interviews with personnel revealed that the Division had only received a listing of the access devices held and assigned from approximately half of the parking facilities.

We Again Recommend the Division periodically obtains from each Department, Constitutional Office or other Agency a certified list of all access devices (cards and codes) held and assigned.

Management’s Response:

Partially Concur. We partially concur with this recommendation. There is an existing procedure wherein the Real Estate Management Division assigns a certain number of parking access devices to County Departments/Divisions, Constitutional Offices, and other Agencies for County controlled parking in the downtown Orlando area. We maintain inventory records of the access device number, parking area, employee name, number and division/agency. We believe it is the responsibility of the assigned Department/Division/Agency to maintain their own inventory records and ensure their employees comply with the state laws and County Administrative Regulations regarding Driver’s License and Insurance. We routinely request the Parking Coordinators for these groups provide us with updates to their inventory records to compare with ours; however, it is difficult to reach full compliance with our requests from some of them.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT - ADMINISTRATIVE
SERVICES DEPARTMENT**



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

During the prior audit, we noted that a facilities use study of Orange County and Constitutional Offices' operations and space needs was contained in the County's Comprehensive Facilities Master Plan (CFMP) that was prepared in 1998. It provided projections of space needs based on estimated population growth and service operations.

Although the study was still relevant at the time of the original audit, certain data and projections included in the CFMP were 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 placed the County's population beyond the CFMP's projections.

During the original 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. The project was on-going and the County had not yet received the final report from the consultant. However, it appeared as if the study might impact some of the conclusions in the CFMP.

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.

Status:

Implemented. We were informed that the feasibility study was completed in July 2007 and presented to the County Administrator's Office. However, contractions in the National and local economies made the growth projections obsolete. As a result, the County began attempts to downsize and

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the
Real Estate Management Division

reduce leased space and rents paid. Although no formal changes were made to the CFMP, projections and assumptions were revised.