



**OFFICE OF INSPECTOR GENERAL  
CITY OF JACKSONVILLE**

**AUDIT REPORT NO. 2016-AR-0002**

Steven E. Rohan  
Inspector General  
(Interim)

**ISSUE DATE: JUNE 15, 2016**

*"Enhancing Public Trust in Government"*

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**AUDIT OF CITY OWNED REAL ESTATE RECORDS**

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**EXECUTIVE SUMMARY**

**Authority**

This audit was conducted pursuant to Section 1.203(c), Charter of the City of Jacksonville, Section 602.303(a-c), Ordinance Code, and the 2016 Office of Inspector General's (OIG) Audit Plan.

**Scope**

The OIG conducted an audit of city owned real estate as part of the 2016 Office of Inspector General's Audit Plan. The purpose of this audit is to determine that controls are adequate over the acquisition and disposal of city owned real estate. During the planning phase of this audit the focus was on understanding the control environment and the overall processes.

The scope of the audit included, but was not limited to:

- Standard Operating Procedures
- Acquisition of real estate
- Disposition of real estate
- Leasing of city owned real estate
- Leasing of non-city owned office space
- Inventory tracking of real estate holdings
- Real Estate Database

The period covered by the audit was January 2014 through December 2015.

## **Objectives**

The objectives of the audit were to determine if:

- Adequate policies and procedures are in place;
- Real estate records agreed to property inventory records and Property Appraiser's records;
- Properties owned by the city were properly maintained, routinely inspected and adequately insured;
- Controls and processes over the acquisition and disposal of city owned real estate are adequate;
- Access to the real estate database is properly assigned based on job duties and is assigned only to current division employees;
- And proper processes and controls are in place over incoming and outgoing lease payments.

Overall, controls and processes over the acquisition and disposition of city owned real estate appear adequate. However the following findings were noted and resultant recommendations were made:

## **Findings and Recommendations**

### **Finding 1**

The Master Property Listing maintained the by Real Estate Division is not reconcilable to the property records maintained in the capital asset subsystem; as a result, capital assets in the City's financial records may be understated.

### **Recommendation 1**

OIG recommends a comprehensive reconciliation of city owned properties between the Real Estate Division, the Property Appraiser's Office and the capital assets subsystem.

### **Finding 2**

Access to the real estate database is not adequately controlled so as to ensure that access is appropriately assigned to current employees or other persons authorized by the Real Estate Division.

### Recommendation 2

OIG recommends that the Real Estate Division adopts written procedures and processes to ensure that database access is periodically monitored and controlled. The level of access assigned should be appropriate to the responsibilities assigned to the employee. Current employees, or others that have been inactive more than a year, should be contacted to determine if they still need the access, and those responses evaluated. Access should be removed once employees leave City employment.

### Management Response

The Administration's response to the preliminary draft audit indicated agreement with the recommendations, and that responsive action is being taken.

OIG appreciates the support and cooperation received from the Real Estate Division and the Accounting Division during the course of this audit.

### Economic Impact Statement

There were no direct economic impacts associated with this audit.

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**AUTHORITY**

This audit was conducted pursuant to Section 1.203(c), Charter of the City of Jacksonville, which established the Office of Inspector General (OIG) and its auditing function in the Charter; Section 602.303(a-c), Ordinance Code, which implemented the Charter in the City Code; and the 2016 Office of Inspector General's Audit Plan.

**BACKGROUND**

The Real Estate Division (Division) oversees the management of the city's real estate holdings. It handles the acquisition, appraisals management, disposal, inventory and use assessment of city owned real estate.

Chapter 122, Ordinance Code assigns the responsibility for the acquisition and disposition of the city owned real estate to the Division. Section 122.406 assigns the responsibility of maintaining the Master Property Listing to the Division as outlined below:

“The Real Estate Division shall compile, maintain, update and periodically publish an inventory of the real estate and interests in real estate, hereinafter collectively referred to as *real property*, owned, leased or controlled by the City. The inventory shall state, with respect to each parcel of real property:

- (a) Its correct legal description.
- (b) The real estate assessment number assigned by the Property Appraiser.
- (c) The quantum of interest owned, leased or held by the City.
- (d) The name by which the real property is recorded on the public records of Duval County, if it is not recorded in the name of the City.
- (e) The use to which the real property is being put or has been dedicated or set aside, or the anticipated use.
- (f) The appraised value of the real property or, if an appraisal is not available, the best estimate of the value.
- (g) Other information deemed useful by the Real Estate Officer.

The inventory may also include leaseholds of less than one year's duration, if deemed advisable by the Real Estate Officer and they can be included without inconveniencing the work of the Division on the remainder of the inventory. The Real Estate Officer is authorized to conduct, purchase or contract for surveys, maps and other necessary services and materials in order to compile an accurate inventory. All City agencies will cooperate with and assist the Division in the compilation, maintenance and updating of the real property inventory under this Section.”

In order to track city real estate holdings, the Division uses an on-line database, which is linked to the Property Appraiser's database and Geographic Information System (GIS). All pertinent information regarding each city property holding is maintained in the database. Documents such as appraisals, surveys, and sales contracts and closing statements are scanned

into the database. Access to the database is assigned to Division employees and other city employees on an as-needed basis.

The Division recently began a monthly reconciliation process to ensure that the Master Property Listing agrees with the Property Appraiser's Database. Any discrepancies are researched and the Master Property Listing is updated. However, the Accounting Division of the Finance and Administration Department, is responsible for maintaining an inventory of property records in the capital assets subsystem.

### SCOPE, OBJECTIVES AND METHODOLOGY

As part of the 2016 OIG Audit Plan, the Office of Inspector General conducted a review of city owned real estate. The purpose of this audit was to determine whether controls were adequate over the acquisition, control, and disposal of city owned real estate.

The scope of the audit included, but was not limited to:

- Standard Operating Procedures
- Acquisition of real estate
- Disposition of real estate
- Leasing of city owned real estate
- Leasing of non-city owned office space
- Adequacy of insurance coverage
- Inventory tracking of real estate holdings
- Real Estate Database

The period covered by the audit was January 2014 through December 2015.

The objectives of the audit were to determine if:

- Adequate policies and procedures are in place;
- Real estate records agreed to property inventory records and Property Appraiser's records;
- Properties owned by the city were properly maintained, routinely inspected and adequately insured;
- Controls and processes over the acquisition and disposal of city owned real estate are adequate;
- Access to the real estate database is properly assigned based on job duties and is assigned only to current division employees;
- Proper processes and controls are in place over incoming and outgoing lease payments.

To accomplish these objectives, interviews were conducted to identify and document the existence of controls over open purchase orders and contracts. Policies, procedures, and other applicable documents were reviewed to further substantiate and identify the existence of certain

key controls. OIG also performed substantive tests to determine the effectiveness of key controls.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the auditor plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The OIG is satisfied that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives.

## FINDINGS AND RECOMMENDATIONS

### **Finding 1**

The Master Property Listing maintained by the Real Estate Division is not reconcilable to the property records maintained in the capital assets subsystem; as a result, capital assets in the City's financial records may be understated.

OIG could not match a significant number of city owned properties to the capital asset listing furnished by the Accounting Division. During the course of the audit, it was confirmed that the Master Property Listing is derived from the Property Appraiser database. However, it could not be confirmed that all of the properties on the Master Property Listing were entered into the capital assets subsystem. Since there are numerous assets on the Master Property Listing that do not appear to be in the capital assets subsystem, it appears the capital asset account may be missing assets, and may be understated. The following are examples of the kinds of differences noted between the two property listings.

The Master Property Listing contains six Jacksonville Landing properties (with a current market value of over \$15 million); however, only one parcel identified as "Northbank River Walk" was on the report generated by the Accounting Division from the capital assets subsystem.

The Master Property Listing contains 50 parcels for Cecil Field (with a current market value of over \$94 million); however, only three properties identified as Cecil Field were on the report generated by the Accounting Division from the capital assets subsystem.

EverBank Field (described as "Sports Complex-Parking & EverBank Field") is in the Master Property Listing, but a corresponding entry in the capital assets subsystem could not be located.

Affordable housing, forfeited properties, and tax reverted properties are not recorded in the capital asset subsystem. A few of these properties were acquired in excess of 20 years ago and may be fully depreciated, but these properties should be included in the capital assets subsystem to ensure the City's official financial records are accurate and complete.

Presently, the real estate identification number assigned by the Property Appraiser's Office is not entered into the capital assets subsystem and complete property addresses are not always entered.

Addresses are entered into the asset description field, but not in all cases and not in a consistent manner.

A report listing the properties that are on the Master Property Listing but not in the Capital Asset subsystem is attached hereto as Appendix 1.

Governmental Accounting Standards Board (GASB) statement 34 establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments. Florida State Statute 274, city ordinance 122 part 8, and Accounting Division standard operating procedures are in part based on the requirements of GASB statement 34. City owned real estate should be recorded in the capital assets subsystem in accordance with these standards. The value of buildings at the purchase price or construction cost should be included in capital assets. Buildings include office buildings, firehouses, garages, jails, zoos and parks and recreational buildings. Capital assets also include donated and forfeited real property. Donated and forfeited real property should be recorded at its market value at the time of acquisition.

The Comptroller has indicated that some of the differences are due to the manner in which capital assets were accounted for prior to the adoption of the GASB 34 standard that changed capital asset reporting in fiscal year 2002. He also indicated that in the past couple of years, the Accounting Division worked on a reconciliation of its records to the Risk Management records and it was noted that names were not always the same in the systems.

Failure to record or properly identify city owned real estate in the capital assets subsystem may result in the understatement of capital assets and corresponding depreciation of the those assets. Material misstatements could impact financial statement reporting.

### **Recommendation 1**

OIG recommends a comprehensive reconciliation of city owned properties between the Real Estate Division, the Property Appraiser's Office and the capital asset subsystem.

### **Finding 2**

Access to the Real Estate database is not adequately controlled, so as to ensure that access is appropriately assigned to current employees and others authorized by the Real Estate Division.

OIG compared a listing of current City employees to a list of employees with access to the Real Estate database. The following exceptions were noted:

- Five out of 37 users classified as active users on the access listing provided by the division were not on the current employee listing provided by Human Resources.
- At least one of the five users was terminated within the last 15 months.
- One generic password was in use.



- 85 out of 96 users with an inactive status on the access report could not be traced to the current employee listing.
- 61 out of 85 inactive users noted above had update access, including 24 that had administrator access.

Failure to adequately control access to the database could result in unauthorized transactions. The risk in this case appears to be minimized because financial and accounting transactions are not processed within the database. However, good access controls are required to maintain system integrity.

### **Recommendation 2**

OIG recommends that real estate staff adopts procedures and processes to ensure that database access is periodically reviewed and controlled. The level of access assigned should be appropriate to the responsibilities assigned to the employee. Current employees or others that have been inactive more than a year should be contacted to determine if they still need the access and those responses should be reviewed. Access should be removed once employees leave City employment.

### MANAGEMENT COMMENTS

OIG issued a draft report to the Administration on April 5, 2016. The administration responded on April 15, 2016 and informed OIG that they have initiated responsive action to the OIG recommendations. The Administration's response is included in its entirety under Appendix 2.

### ECONOMIC IMPACT STATEMENT

The value to the community and government of any given audit report cannot be measured in dollars and cents alone. System improvements, agency and community awareness, transparency, and prevention are some of the many benefits associated with the audit function.

Nonetheless, the City of Jacksonville's Office of Inspector General believes that the direct economic impact of its audits should be reported to City leaders and the public; and reported in easily understandable terms.

For this particular audit, there were no direct economic impacts.

Respectfully submitted this 15 day of June, 2016:



Steven E. Rohan  
Inspector General (Interim)

**APPENDIX 1**

<b>Number of Properties</b>	<b>City Division</b>	<b>Description</b>	<b>Street Address</b>	<b>Market Value</b>
61	<b>Housing And Community Development Division</b>	Affordable House And Foreclosed Properties		\$1,012,097
561	<b>Real Estate Division</b>	Tax-Reverted Properties		\$4,954,009
	Jacksonville Sherriff's Office	Police K-9 Unit Training Site	Johnson St	\$4,800
	Jacksonville Sherriff's Office	Police K-9 Unit Training Site	W Duval St	\$23,200
	Jacksonville Sherriff's Office	Police K-9 Unit Training Site	W Duval St	\$37,848
	Jacksonville Sherriff's Office	Police K-9 Unit Training Site	W Duval St	\$23,200
	Jacksonville Sherriff's Office	Police K-9 Unit Training Site	Johnson St	\$40,000
	Jacksonville Sherriff's Office	Police K-9 Unit Training Site	W Duval St	\$23,200
	Jacksonville Sherriff's Office	Prison Farm	4727 Lannie Rd	\$728,231
	Jacksonville Sherriff's Office	Prison-Farm	16666 Ethel Rd	\$257,490
	Jacksonville Sherriff's Office	Sheriff-Forfeiture Parcel	9854 Sunset Dr	\$44,029
	Jacksonville Sherriff's Office	Sheriff-Forfeiture Parcel	9820 Sunset Dr	\$25,565
	Jacksonville Sherriff's Office	Sheriff-Forfeiture Parcel	Van Buren St	\$7,031
	Jacksonville Sherriff's Office	Sheriff-Forfeiture Parcel	E 11th St	\$22,776
	Jacksonville Sherriff's Office	Sheriff-Forfeiture Parcel	2029 Buckman St	\$6,972
	Jacksonville Sherriff's Office	Sheriff-Forfeiture Parcel	1205 Grant St	\$13,307
<b>14</b>	<b>Jacksonville Sherriff's Office Total</b>			\$1,257,649
	Downtown Investment Authority	Main Street Pocket Park	Monroe St	\$529,825
	Downtown Investment Authority	Main Street Pocket Park	E Monroe St	\$143,725
	Downtown Investment Authority	Main Street Pocket Park	N Main St	\$153,825
	Downtown Investment Authority	Landing-Parking Lot	Coastline	\$201,487
		Landing-Parking Lot	Coastline	\$2,953,751

	Downtown Investment Authority	Landing-Parking Lot	Independent	\$333,667
		Landing-Parking Lot	Independent	\$660,399
	Downtown Investment Authority	Sports Complex-Parking & Everbank Field	Everbank Field	\$168,521,905
<b>5</b>	<b>Downtown Investment Authority Total</b>			\$173,498,584
<b>1</b>	<b>Fleet Management</b>	Motor Pool	2581 Commonwealth Ave	\$6,893,530
	Office Of Economic Development	Cecil Field	Cecil Commerce Center Pkwy	\$908,174
	Office Of Economic Development	Cecil Field	Normandy Blvd	\$605,192
	Office Of Economic Development	Cecil Field	Interstate 10	\$5,200,186
	Office Of Economic Development	Cecil Field	Interstate 10	\$4,949,810
	Office Of Economic Development	Cecil Field	Waterworks St	\$3,578,870
	Office Of Economic Development	Cecil Field	Waterworks St	\$4,679,274
	Office Of Economic Development	Cecil Field	New World Ave	\$6,760,860
	Office Of Economic Development	Cecil Field	New World Ave	\$1,664,776
	Office Of Economic Development	Cecil Field	New World Ave	\$2,496,249
	Office Of Economic Development	Cecil Field	Cecil Commerce Center Pwky	\$6,454,721
	Office Of Economic Development	Cecil Field	Cecil Commerce Center Pwky	\$6,383,223
	Office Of Economic Development	Cecil Field	650 Waterworks Ave	\$2,877,965
	Office Of Economic Development	Cecil Field	New World Ave	\$10,847
	Office Of Economic Development	Cecil Field	New World Ave	\$2,990,233
	Office Of Economic Development	Cecil Field	617 Water Works St	\$11,127,202
	Office Of Economic Development	Cecil Field	New World Ave	\$12,197
	Office Of Economic Development	Cecil Field	Normandy Blvd	\$218,353
	Office Of Economic Development	Cecil Field	New World Ave	\$18,731
	Office Of Economic Development	Cecil Field	Normandy Blvd	\$4,653,419
	Office Of Economic Development	Cecil Field	Normandy Blvd	\$1,402,405

	Office Of Economic Development	Cecil Field	Normandy Blvd	\$349,151
	Office Of Economic Development	Cecil Field	Normandy Blvd	\$461
	Office Of Economic Development	Cecil Field	103 <sup>rd</sup> St	\$6,024,293
	Office Of Economic Development	Cecil Field	Cecil Pines St	\$73,052
	Office Of Economic Development	Cecil Field	103 <sup>rd</sup> St	\$178,265
	Office Of Economic Development	Cecil Field	103 <sup>rd</sup> St	\$1,868,471
	Office Of Economic Development	Cecil Field	Cecil Pines St	\$233,551
	Office Of Economic Development	Cecil Field	Aviation Way	\$105,655
	Office Of Economic Development	Cecil Field	13851 Lake Newman St	\$886,853
	Office Of Economic Development	Cecil Field	Authority Ave	\$218,140
	Office Of Economic Development	Cecil Field	Normandy Blvd	\$720
	Office Of Economic Development	Cecil Field	Normandy Blvd	\$17,763
	Office Of Economic Development	Cecil Field	Bell Rd	\$10,104
	Office Of Economic Development	Cecil Field	Nathan Hale Rd	\$4,187,226
	Office Of Economic Development	Cecil Field	Authority Ave	\$73,799
	Office Of Economic Development	Cecil Field	6146 Authority Ave	\$4,404,128
	Office Of Economic Development	Cecil Field	Crossover St	\$198,660
	Office Of Economic Development	Cecil Field	Crossover St	\$68,176
	Office Of Economic Development	Cecil Field	Crossover St	\$45,917
	Office Of Economic Development	Cecil Field	Skillside St	\$122,748
	Office Of Economic Development	Cecil Field	6102 Lake Newman Ct	\$6,671,672
	Office Of Economic Development	Cecil Field	Authority Ave	\$19,638
	Office Of Economic Development	Cecil Field	6115 New World Ave	\$144,787
	Office Of Economic Development	Cecil Field	Authority Ave	\$144,761
	Office Of Economic Development	Cecil Field	Skillside St	\$281,956
	Office Of Economic Development	Cecil Field	Lake Newman St	\$83,757
	Office Of Economic Development	Cecil Field	Authority Ave	\$499,285
	Office Of Economic Development	Cecil Field	Branan Field	\$100,000

	Development		Rd	
	Office Of Economic Development	Cecil Field-Duplex Area	13609 Pine Links St	\$97,691
	Office Of Economic Development	Cecil Field-Duplex Area	5969 INE STRAW LN	\$102,262
50	<b>Office Of Economic Development – Cecil Total</b>			\$94,205,629
1	<b>Office Of Economic Development - Other</b>	Former Holliday Inn	881 Golfair Blvd	\$268,242
36	<b>Public Buildings Division</b>	Vacant Commercial Properties		\$1,435,117
1	<b>Solid Waste Division</b>	Debris Transfer Site		\$87,533
17	<b>Solid Waste Division</b>	Ash Sites Under Solid Waste Division		\$1,819,932
57	<b>Solid Waste Division</b>	Properties With Environmental Concerns		\$1,045,157
5	<b>Solid Waste Division</b>	Landfills		\$4,452,825
11	<b>Solid Waste Division</b>	Super Fund Sites		\$190,524
3	<b>Parks &amp; Recreation</b>	Cemetery		\$498,339
2	<b>Parks &amp; Recreation</b>	Golf Courses		\$5,351,880
825	<b>Grand Total</b>			\$296,971,047

**OFFICE OF MAYOR LENNY CURRY**

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**TO:** Thomas Cline  
Inspector General

**FROM:** Marlene Russell, Director Organizational Effectiveness *M Russell*

**DATE:** April 15, 2016

**SUBJECT:** Response – Internal Audit of City Owned Real Estate Records – 2016-AR-0002

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Based on the information provided in subject report from the Office of Inspector General below are management comments.

**Finding 1:**

The Master Property Listing maintained by the Real Estate Division is not reconcilable to the property records maintained in the Capital Asset Subsystem; as a result, Capital Assets in the City's financial records may be understated.

**Recommendation 1:**

OIG recommends a comprehensive reconciliation of city owned properties between the Real Estate Division, the Property Appraiser's Office and the Capital Asset subsystem.

**Management Comments:**

The Real Estate Division has recently implemented a tool that reconciles its database with the Property Appraiser's database on a monthly basis. In the past, the Capital Asset subsystem has reconciled its database with Risk Management's database. The Real Estate Division and the Accounting Division are scheduled to meet May 26, 2016 to discuss a plan for reconciling the Capital Asset subsystem with the Real Estate Division's database.

**Finding 2:**

Access to the Real Estate database is not adequately controlled; in order to ensure that access is appropriately assigned to current employees any others authorized the Real Estate Division.

**Recommendation 2:**

OIG also recommends that Real Estate staff adopt procedures and processes to ensure database access are periodically controlled. The level of access assigned should be appropriate to the responsibilities assigned to the employee.

Current employees or others that have been inactive more than a year should be contacted to determine if they still need the access. Access should be removed once employees leave City employment.

**Management Comments:**

The Real Estate Division is currently drafting processes and procedures to ensure control of its database, as well as reviewing and updating the current list of employees who have access to the database. Real Estate Division anticipates having the processes and procedures completed by June 1, 2016. In some cases, former employees' names have been retained to provide a historical record; however, this will be updated with ITD to ensure that only current Real Estate Division employees are able to make changes to the database, and certain other City and public agency employees have "read only" access to the database.

Please let us know if you have any questions.

cc: Sam E. Mousa, P.E., Chief Administrative Officer  
Mike Weinstein, Chief Financial Officer  
John Pappas, Director, Public Works  
Kevin Stork, Comptroller  
Stephanie Burch, Acting Real Estate Division Chief  
Joe Namey, Land Acquisition and Disposition Manager  
Robert Morris, Real Estate Division Assistant Management Improvement Officer  
Dinna Riddle, Public Works, Financial and Administrative Manager  
File – 2016-AR-0002