



**Council Auditor's Office**  
**Follow-Up on Real Estate Audit**  
**Report # 832A**

**Released on:** December 19, 2022

**OFFICE OF THE COUNCIL AUDITOR**  
Suite 200, St. James Building



December 19, 2022

Report #832A

Honorable Members of the City Council  
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #832, Real Estate Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report can be found on our website.

We sent a follow-up letter to the City’s Chief Administrative Officer and the Undersheriff on May 24, 2022, inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify responses.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

<b>Types of Issues</b>	<b>Original Number of Issues</b>	<b>Issues Cleared</b>	<b>Remaining Issues</b>
Internal Control Weaknesses	0	0	0
Findings	15	9	6
Opportunities for Improvement	1	0	1
<b>Total</b>	<b>16</b>	<b>9</b>	<b>7</b>

The following is a brief summary of the remaining issues with responses from Renee Hunter, Public Works Department – Real Estate Chief, and Marcia Saulo, Finance and Administration Department - City Comptroller, that we received on December 2, 2022.

**Finding 1-1 \*Real Estate Division Not Periodically Confirming if Properties are Still Needed with the Responsible Departments\***

In the original audit, we found that the Real Estate Division was not regularly verifying with the responsible departments if they were still utilizing all the real properties assigned to them. We recommended that the Real Estate Division periodically (e.g., once a year) send a list of real estate properties to each department and ask them to confirm whether they still use or need the real estate

properties assigned to them. This control should operate similarly to the City’s annual capital asset inventory.

During our follow-up testing, we found that the Real Estate Division, with the assistance of the Information Technologies Division, created a website listing all City-owned parcels, where department heads can sign in and confirm whether they still need the real properties allocated to them. The Director of Public Works sent an email communication on January 19, 2022, to all City departments requesting them to review the list of real properties assigned to them. Additionally, the Director of Public Works sent a second email communication on June 24, 2022, reminding all the City departments that had not responded to review their list of real properties. We performed a review on August 5, 2022 and found that 882 out of 2,462 parcels (or 36%) had not been confirmed by City Departments. It is our understanding that the issues were caused by staffing changes and departments reviewing the list to confirm the properties are needed/really in their control. We recognize the progress that has been made, but will follow-up in the future to see whether there has been progress in reducing the number of outstanding items.

***Real Estate Division Response to the Follow-Up of Finding 1-1***

Agree                       Disagree                       Partially Agree

*Public Works Real Estate (PWRE) is currently awaiting responses from two (2) entities; the other nineteen (19) have responded. One of the outstanding entities will review approximately seven hundred (700) properties and needs additional time to review.*

**Finding 1-3 \*List of Surplus Properties Available for Sale Not Updated Periodically\***

In the original audit, we noted that the list of surplus parcels for sale located on the Real Estate Division’s website was not periodically updated. We recommended that the Real Estate Division update the list of surplus properties available for sale on a regular basis to ensure that it is current and accurate.

During our follow-up testing, the Real Estate Division informed us that they did not have any property available for sale at the time since properties needed to be reviewed and they were trying to get resources in place to perform this review since the employees in charge had retired. We confirmed that no property is listed for sale on their website as of August 4, 2022. Therefore, we will follow-up in the future to verify that the list of surplus properties available for sale is being updated.

***Real Estate Division Response to the Follow-Up of Finding 1-3***

Agree                       Disagree                       Partially Agree

*PWRE intends to auction properties in 2023 as PWRE has recently hired a new employee.*

### **Finding 3-3 \*Various Issues Relating to Auctioned Properties\***

In the original audit, we found several issues relating to auctioned properties such as some auction payments were not accurately collected, some payments were not deposited into the correct account in the accounting system, some payments were not collected and deposited in a timely manner, and that one auction payment was received after the deed had already been signed and delivered. We recommended that the Real Estate Division improve their business processes to ensure that revenue generated from auctioned properties is accurately and timely collected, deposited, and properly recorded in the accounting system.

During our follow-up testing, we found that no surplus properties had been auctioned during the last fiscal year (FY 2021/22). Therefore, we will follow-up in the future when the Division starts auctioning off real estate properties.

#### ***Real Estate Division Response to the Follow-Up of Finding 3-3***

Agree

Disagree

Partially Agree

*PWRE intends to auction properties in 2023 as PWRE has recently hired a new employee.*

### **Supplemental Finding 2 \*Accuracy Issues in the Capital Assets Inventory Database\***

In the original audit, we found several accuracy issues related to real estate properties in the capital assets inventory database maintained by the Accounting Division.

1. We were unable to find the real estate number of a large number of City-owned properties in the capital assets inventory database.
2. We noted various items in the capital assets inventory database that did not have their respective real estate number(s) listed.
3. We found properties listed in the capital assets inventory database that were no longer owned by the City.
4. We found properties with an invalid real estate number or with a real estate number that did not match the description and location of the property in the capital assets inventory.
5. We found properties listed as buildings that did not have their respective land recorded as a separate property in the capital assets inventory database.
6. We found properties misclassified as building instead of being classified as land in the capital assets inventory.

We recommended that the Accounting Division perform periodic reconciliations of their capital assets inventory against the Property Appraiser's inventory database and the inventory maintained by the Real Estate Division. Also, the Accounting Division should add all missing real estate properties, remove properties no longer owned by the City, and fix all input errors in their capital assets inventory database.

During our follow-up testing, the Accounting Division stated that our recommendation has not been implemented yet due to significant personnel changes since the audit was completed. Therefore, we will follow-up this recommendation in the future.

***Accounting Division Response to the Follow-Up of Supplemental Finding 2***

Agree

Disagree

Partially Agree

*Accounting agrees with this recommendation and will coordinate with the Property Appraiser and Real Estate Division to implement.*

**Supplemental Finding 3 \*Impact of Real Estate Acquisitions and Dispositions Not Properly Reflected on City Balance Sheet\***

In the original audit, we were unable to find any journal entry in the accounting system that reflected the balance sheet impact caused by the disposition or acquisition of real estate assets. We also noted that the Accounting Division’s policies and procedures relating to capital assets did not address how tax-reverted properties should be accounted for in the capital assets inventory database and ultimately the accounting system. We recommended that the Accounting Division perform periodic reconciliations of their capital assets inventory against the Property Appraiser’s inventory database and the inventory maintained by the Real Estate Division. The Accounting Division should add all missing real estate properties, remove properties no longer owned by the City, and correct all input errors in their capital assets inventory database. Furthermore, the Accounting Division should adopt and implement procedures on how to record the acquisition and disposition of tax-reverted real estate properties in the capital assets inventory database and ultimately the accounting system.

During our follow-up testing, the Accounting Division stated that our recommendation has not been implemented yet due to significant personnel changes since the audit was completed. Therefore, we will follow-up this recommendation in the future.

***Accounting Division Response to the Follow-Up of Supplemental Finding 3***

Agree

Disagree

Partially Agree

*Accounting agrees with this recommendation and will coordinate with the Property Appraiser and Real Estate Division to implement.*

**Supplemental Finding 5 \*Surplus Properties Not Always Sold in a Timely Manner\***

In the original audit, we noted that it took over two years (from the date they were acquired) to sell several real estate properties. We recommended that the City attempt to dispose of any surplus real estate in a timely manner. If there are reasons that warrant delays, the reasons should be documented. Also, the Real Estate Division should verify annually with District Council Members any properties that the District Council Member has not authorized for disposition to verify that the situation has not changed.

During our follow-up testing, we found that no surplus properties have been auctioned during the last fiscal year (FY 2021/22). Therefore, we will follow-up in the future when the Division starts auctioning off real estate properties.

***Real Estate Division Response to the Follow-Up of Supplemental Finding 5***

Agree

Disagree

Partially Agree

*PWRE intends to auction properties in 2023 as PWRE has recently hired a new employee.*

**Supplemental Opportunity for Improvement 1 \*Implement a Real Estate Inventory System with a User-friendly Interface\***

In the original audit, we noted that the Real Estate Division did not have a standalone application with a user-friendly interface that allows them to efficiently track the City real estate inventory, to manage acquisitions and dispositions, as well as tax-reverted and surplus properties. We recommended that the City either implement an in-house application or acquire an off-the-shelf software with a user-friendly interface that allows employees without an IT background to more efficiently manage real estate assets in the Real Estate Division.

During our follow-up testing, the Real Estate Division informed us that the City has decided to develop a Real Estate Inventory System in-house. However, this IT project has been pushed back to start development in Fiscal Year 2022/23 due to resource constraints. Therefore, we will follow-up this recommendation in the future.

***Real Estate Division Response to the Follow-Up of Supplemental Opportunity for Improvement 1***

Agree

Disagree

Partially Agree

*ITD is scheduled to start developing the new PWRE software in the third quarter of fiscal year 2023, with completion in 2024.*

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We would like to thank the Real Estate Division for their cooperation in conducting this follow-up review.

Respectfully submitted,

*Kim Taylor*

Kim Taylor, CPA  
Council Auditor