



Duval County Property Appraiser Audit - #859

Executive Summary

Why We Did This Review

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. The Duval County Property Appraiser is a constitutional officer within the consolidated City of Jacksonville. The Property Appraiser is responsible for assessing all real and personal property within Duval County as established in Article 10 of the City's Charter. The Property Appraiser's Office is governed by Florida Statutes and the Jacksonville Municipal Code.

The Property Appraiser's Office is responsible for inspecting parcels at least once every five years as required by Florida Statute Section 193.023(2) to ensure that value assessments for Duval County properties remain up to date. The Property Appraiser's Office's Field Operations Division assigns its employees to inspect parcels either by physical visits or by viewing the most recent aerial imagery. For the 2021 certified tax roll, Duval County had 380,297 parcels.

The Property Appraiser's Office is also responsible for physically inspecting the completed work of permits that were issued for parcels within Duval County that will change the property's assessed value. These inspections are necessary to update property values, thereby maintaining an accurate tax roll. Permits that must be reviewed are issued by the City's Building Inspections Division, Atlantic Beach, Neptune Beach, Jacksonville Beach, the Town of Baldwin, the Florida Department of Environmental Protection, and the St. Johns River Water Management District.

What We Found

Overall, we found that properties on the 2021 certified tax roll were inspected at least once in the last five years in accordance with Florida Statute Section 193.023(2) and property value changing permits issued in 2020 with work substantially completed before January 1, 2021, were properly reflected on the 2021 certified tax roll.

We noted the following internal control weaknesses:

- Some employees had access to create and change permit details in the appraisal system even though they did not need access based on the duties.
- A query used to determine whether an inspection was completed of all parcels within the last five years did not include condominiums.
- Property Appraiser's Office employees could edit their own property values in the appraisal system.

What We Recommend

To address the items noted we recommended the:

- Property Appraiser's Office adjust the applicable users' access rights so they no longer have editing capabilities for permit data in the appraisal system.
- Property Appraiser's Office remove the language that excluded condominiums from the query utilized to verify that all parcels had an inspection within the last five years.
- Property Appraiser's Office management annually review changes in taxable and assessed values of parcels owned by employees to verify that they are being handled appropriately.



Council Auditor's Office

Duval County Property Appraiser Audit

April 19, 2022

Report #859

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EXECUTIVE SUMMARY

AUDIT REPORT #859

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



April 19, 2022

Report #859

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. Additionally, pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, all agencies of the Consolidated Government are subject to audit by the Council Auditor's Office.

The Duval County Property Appraiser is a constitutional officer within the consolidated City of Jacksonville. The Property Appraiser is responsible for assessing all real and personal property within Duval County as established in Article 10 of the City's Charter. The Property Appraiser's Office is governed by Florida Statutes and the Jacksonville Municipal Code. Pursuant to Section 193.1142 of the Florida Statutes, the Department of Revenue is responsible for reviewing and approving the Property Appraiser's assessment roll on a yearly basis. The approved budget for the Property Appraiser's Office for fiscal years 2020/21 and 2021/22 totaled \$11.3 million and \$11.9 million, respectively. The main source of funding for the Property Appraiser's Office is a contribution from the City's General Fund/ General Services District which was \$10.7 million and \$11.4 million in fiscal years 2020/21 and 2021/22, respectively.

The Property Appraiser's Office is responsible for inspecting parcels at least once every five years as required by Florida Statute Section 193.023(2) to ensure that value assessments for Duval County properties remain up to date. The Property Appraiser's Office's Field Operations Division assigns its employees to inspect parcels either by physical visits or by viewing the most recent aerial imagery. For the 2021 certified tax roll, Duval County had 380,297 parcels.

The Property Appraiser's Office is also responsible for physically inspecting the completed work of permits that were issued for parcels within Duval County that will change the property's assessed value. These inspections are necessary to update property values, thereby maintaining an accurate tax roll. Per Section 192.042 of the Florida Statutes, permit work must be substantially completed by January 1 of the tax year. If the permit work is not substantially completed by January 1, then the value of the work will not be reflected on that year's tax roll. The Field Operations Division receives a daily list of issued permits from the City's Building Inspections Division and a monthly list from the Cities of Atlantic Beach, Neptune Beach, and Jacksonville Beach and the Town of Baldwin. The Field Operations Division will also obtain the issued permits from the Florida Department of Environmental Protection and the St. Johns River Water Management District for Duval County properties each month through their respective websites.

The Fields Operation Division reviews the list of issued permits and determines which permits will alter the properties' assessed values based on the permit information available. Most issued permits do not alter the assessed value. In 2020, there were 108,876 permits issued in Duval County, but only 13,083 (12%) of those permits were added to the Property Appraiser's Office's appraisal system. For example, permits that are for the repair of existing structures or features like a home's foundation, doors, windows, and roof are deemed to not alter property's assessed value. Permits that the Property Appraiser's Office determines will impact a property's assessed value are uploaded to the appraisal system. Once the Property Appraiser's Office determines that a permit's work is substantially complete, they will perform an inspection of the property. Once the inspection is complete, any changes in the property's assessed value are included in the upcoming tax roll. If the permit work was not substantially completed before January 1, the permit is marked to be added for the next tax year.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine whether property value changing permits that were issued during 2020 with work substantially completed before January 1, 2021, were physically inspected and the changes in value were reflected on the 2021 certified tax roll.
2. To determine whether properties on the 2021 certified tax roll were inspected at least once within the last five years in accordance with Florida Statute Section 193.023(2).

STATEMENT OF SCOPE AND METHODOLOGY

Unless specifically stated otherwise, based on our selection methods and testing of transactions and records, we believe that it is reasonable to project our results to the population(s) and ultimately draw our conclusions on those results. Additionally, for proper context, we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

Objective 1

We obtained a listing of all permits added to the appraisal system that were issued during the 2020 calendar year. We also obtained separate listings of all permits issued in calendar year 2020 by the following municipalities/agencies:

1. City of Jacksonville's Building Inspection Division
2. City of Jacksonville Beach
3. City of Atlantic Beach
4. City of Neptune Beach
5. Town of Baldwin
6. Florida Department of Environmental Protection
7. St. Johns River Water Management District

We then conducted a series of tests in relation to the permits issued in 2020. We first compared the list of permits issued by the municipalities/agencies to those that were added to the appraisal system by the Property Appraiser's Office. This allowed us to create a listing of issued permits

that were not added to the appraisal system (95,793) and a listing of issued permits that were added to the appraisal system (13,083).

Issued Permits Not Added to the Appraisal System Testing

We reviewed the listing of issued permits that were not added to the appraisal system to determine whether it was reasonable that the permits were not added to the appraisal system. We considered the type of permit application that was submitted and the description of the permit work. As a result, we reduced our testing population of issued permits not added to the appraisal system from 95,793 permits to 34,422 permits, since we were able to easily explain why 61,371 were not added to the appraisal system. From the remaining 34,422, we statistically selected a sample size of 256 permits with the specific permits selected at random. From our sample, we tested each permit to determine whether the permit work would have an impact on the property's assessed value and if the Property Appraiser's Office's decision to not add the permit to the appraisal system was reasonable.

Issued Permits Added to the Appraisal System Testing

From our population of issued permits that were added to the appraisal system, we identified which permits had (9,766) or had not (3,317) received an inspection by the Property Appraiser's Office.

For the permits we identified that had received an inspection, we statistically selected a sample size of 359 permits with the permits selected at random. For our sample, we tested each permit to verify that the change in the property's assessed value due to the permit work was reflected on the 2021 certified tax roll.

For the permits we identified that had not yet received an inspection, we reduced our population from 3,317 permits to 260 permits by excluding any permits where work had not yet been substantially completed or where work was substantially completed in calendar year 2021 since these would be inspected as part of a future tax roll. We statistically selected a sample of 76 permits out of 260 permits with the permits selected at random. From our sample, we tested each permit to determine whether it appeared reasonable that the permit had not yet been inspected.

Objective 2

We obtained reports from the appraisal system that listed all properties in the system with each property's most recent physical inspection date and aerial inspection date for the 2021 and 2020 tax rolls. We also obtained a list of all properties on the 2021 tax roll which was certified on October 14, 2021. This report listed 380,297 parcels on the 2021 certified tax roll; however, since 3,588 of the parcels were created after January 1, 2021, these parcels were excluded from testing. This left 376,709 parcels that we verified whether an aerial or physical inspection occurred between January 1, 2016, and December 31, 2020.

To test the Property Appraiser's Office's compliance with Florida's five-year inspection requirement for all parcels in Duval County, we first compared the number of properties in the appraisal system's 2021 tax year report to the number of properties on the 2021 certified tax roll to determine the completeness of the appraisal system report. After verifying the appraisal system report's completeness, we conducted an analytical test to determine whether any Duval County properties did not have an aerial or physical inspection performed by the Property Appraiser's

Office between January 1, 2016, and December 31, 2020. We used the most recent aerial or physical inspection date in the report as a determination to whether the property complied with the five-year inspection requirement. Since many properties in the 2021 tax year report had a most recent inspection date during the 2021 calendar year (after the five-year period we were testing), we also included the most recent inspection dates in the 2020 tax year report to better determine if an aerial or physical inspection occurred between January 1, 2016, and December 21, 2020. For example, if a property had an aerial inspection date of March 1, 2021, we would then look at the same property in the 2020 tax year report to find that the previous aerial inspection was performed on March 1, 2020, which is within the five-year timeframe we were testing.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objective(s). Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management's objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance 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.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Property Appraiser's Office, via Jerry Holland, Property Appraiser, on May 26, 2022.

AUDIT CONCLUSIONS

By Objective

1. It appears that property value changing permits issued in 2020 with work substantially completed before January 1, 2021, were physically inspected and the changes in value were reflected on the 2021 certified tax roll.
2. It appears that properties on the 2021 certified tax roll were inspected at least once in the last five years in accordance with Florida Statute Section 193.023(2).

We noted the following internal control weaknesses and opportunity for improvement while we conducted our audit.

AUDIT OBJECTIVE #1

To determine whether property value changing permits that were issued during 2020 with work substantially completed before January 1, 2021, were physically inspected and the changes in value were reflected on the 2021 certified tax roll.

Internal Control Weakness 1 – 1 – Excessive Access Rights in Appraisal System

We noted that out of 109 users that have access to create permits or change permit details in the appraisal system, 44 (or 40%) did not need access to permits based on their division and position duties. There is a risk that the applicable users could inappropriately edit permit data in the appraisal system, which could impact the tax roll.

Recommendation to Internal Control Weakness 1 – 1

We recommend the Property Appraiser’s Office adjust the applicable users’ access rights so they no longer have editing capabilities for permit data in the appraisal system. We also recommend that the default be changed so that this access is not automatically granted to new employees, and it is instead only enabled for employees based on applicable job duties.

Auditee Response to Internal Control Weakness 1 – 1

Agree Disagree Partially Agree

We support the recommendation.

Opportunity For Improvement 1 - 1 – Additional Quality Control Measures

We found some areas during the permit selection and appraisal system upload process that could be improved upon to strengthen the control structure.

At the time of our testing, the original permit data that is provided by the issuing agency/municipality is copied and pasted by an employee into a spreadsheet in order to prepare the data to be uploaded into the appraisal system. The permits to be uploaded to the system are those that will impact the assessed value. A file is emailed to the information systems area of the Property Appraiser's Office with the permits that need to be uploaded into the system. After the permits have been uploaded into the appraisal system, the employee who uploaded them will email back the employee that prepared the file to notify them that file has been uploaded. A third employee will perform limited quality control procedures to ensure that all appropriate permits were uploaded into the appraisal system.

These procedures do not include a periodic review by a third-party of permits that were excluded from the upload spreadsheet to verify that the permit should have been excluded. A procedure should be put in place to periodically verify the appropriateness of the permits excluded from the upload. An option mentioned by the Property Appraiser's Office was for a separate employee to periodically review an error report of all City of Jacksonville permits that have been completed but were not uploaded in the system. This employee would review the appropriateness of the permits not being added.

Additionally, the employee who uploads the permits into the appraisal system should include in their e-mail a screenshot which shows the number of permits in the input file and a screenshot which shows the number of permits that were uploaded into the appraisal system. The Field Operations Division Chief should be copied on this e-mail so they can verify that the numbers in the two screenshots are the same.

Recommendation to Opportunity for Improvement 1 - 1

We recommend that the Property Appraiser's Office update its policies and procedures manual to include the procedures mentioned above.

Auditee Response to Opportunity for Improvement 1 - 1

Agree Disagree Partially Agree

We support the recommendation.

AUDIT OBJECTIVE #2

To determine whether properties on the 2021 certified tax roll were inspected at least once within the last five years in accordance with Florida Statute Section 193.023(2).

Internal Control Weakness 2 – 1 – Issue with Inspection Query to Verify 5-Year Compliance

To help ensure compliance with Section 193.023 of the Florida Statutes, the Property Appraiser’s Office uses a query that checks each property in the appraisal system and returns any properties that will not have had an aerial or physical inspection in the last five years as of January 1 of the following calendar year. For example, if the query was run in November 2020, it would return properties that will be out of compliance on January 1, 2021. Through discussions with the Property Appraiser’s Office, we found that the query language excluded condominiums from its search. As a result, any condominiums out of compliance would not be flagged by the query.

Due to the exclusion of condominiums from the query search, 22 out of 376,709 (0.0058%) properties tested were not flagged as not having an aerial or physical inspection between January 1, 2016, and December 31, 2020. We were able to confirm that the property values had been updated and that other condominiums in the building had been marked as having an aerial inspection. Therefore, it appears these properties were reviewed by the Property Appraiser’s Office, but the employee did not mark the review as being performed. If the condos had been included in the query these could have been easily addressed at that time.

Recommendation to Internal Control Weakness 2 – 1

We recommend that the Property Appraiser’s Office remove the language in the query that excluded condominiums. Additionally, the Property Appraiser’s Office should annually review the query to ensure all properties are properly being included in the query to help ensure compliance with Section 193.023 of the Florida Statutes.

Auditee Response to Internal Control Weakness 2 – 1

Agree Disagree Partially Agree

We support the recommendation.

SUPPLEMENTAL ISSUE

Supplemental Internal Control Weakness 1 – Employees Could Edit Their Own Property in the Appraisal System

We discovered that employees that have access to make changes in the appraisal system also have the ability to make changes to their own property based on the design of the system. This access elevates the risk that an employee could make unauthorized changes in the appraisal system for

their own benefit and at the expense of the City (i.e., lower property tax assessment). As a note, the appraisal system does have an audit trail that tracks changes to the system. However, this control alone is not sufficient in preventing inappropriate manipulation of the system.

Since the system cannot limit the ability of an employee to edit their own property, we requested that the Property Appraiser's Office create queries/reports that would be able to identify potential instances that an employee impacted the value of their own property. We reviewed a report that the Property Appraiser's Office created to identify change in values of all Property Appraiser employees and verified that there did not appear to be any issues.

Recommendation to Supplemental Internal Control Weakness 1

We recommend that the Property Appraiser's Office management annually review changes in taxable and assessed values of parcels owned by employees to verify that they are being handled appropriately.

Auditee Response to Supplemental Internal Control Weakness 1

Agree Disagree Partially Agree

We support the recommendation.

We appreciate the assistance and cooperation we received from the Property Appraiser's Office throughout the course of this audit.

Respectfully submitted,

Kim Taylor

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Council Auditor

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