



PAT FRANK  
Clerk of the Circuit Court  
13th Judicial Circuit

**COUNTY AUDIT**

**HILLSBOROUGH COUNTY, FLORIDA**

**CODE ENFORCEMENT - DEMOLITION**

**REPORT # 252**

**NOVEMBER 21, 2013**

November 21, 2013

The Honorable Mark Sharpe, Chairman  
The Honorable Kevin Beckner  
The Honorable Victor D. Crist  
The Honorable Ken Hagan  
The Honorable Al Higginbotham  
The Honorable Lesley "Les" Miller  
The Honorable Sandra L. Murman

Dear Chairman Sharpe and Commissioners:

The Audit Team performed an audit of the Code Enforcement's demolition function (Audit Report #252, dated November 21, 2013). Management's responses to the Audit Team's recommendations were received from the Director of Code Enforcement and have been included in the report after each audit comment and recommendation.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Code Enforcement during this audit.

Sincerely,



Peggy Caskey, CIA, CISA, CFE  
Director, County Audit

c: Mike Merrill, County Administrator  
Lucia Garsys, Deputy County Administrator  
Dexter Barge, Code Enforcement Director  
Mitch Ramos, Director, Fiscal and Support Services IDS  
Bruce Dangremond, Manager, Performance Mgmt, Business and Support Services

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## EXECUTIVE SUMMARY

### BACKGROUND INFORMATION:

Hillsborough County's Code Enforcement Department (Department) is responsible for preserving the quality and value of public and private property by eliminating conditions that threaten the life, health, and safety of the public. The Department is responsible for the condemnation and demolition of dangerous buildings pursuant to Chapter 81-388, Laws of Florida. These laws are intended to protect public safety through the elimination of dangerous structures that are detrimental to neighborhood values, attractive nuisances for children, create fire hazards, and invite a criminal element into the community.

The Laws of Florida require the structure to be damaged, deteriorated, or defected to such an extent that the cost of restoration or repair will exceed 50% of the restored building's value. An Order of Condemnation must be signed by a majority of a review team (comprised of the Director of Code Enforcement, the Chief Building Inspector, and the Fire Marshall) before a dangerous building can be demolished.

### OBJECTIVE:

The primary objective of the audit was to review and evaluate the adequacy and effectiveness of the Department's demolition function's general controls and compliance with policies and standards.

### SCOPE:

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. Audit procedures included interviewing key personnel, reviewing key documents, conducting fraud risk questionnaires, and performing a risk assessment to identify major risks associated with the demolition function.

Although the audit focus was on the demolition functions of the Department, the Audit Team evaluated some functions of the Department's condemnation process to assist the Team during demolition testing.

The time frame for this audit was October 1, 2012, through May 31, 2013.

### OVERALL EVALUATION:

The Department was responsive to the Audit Team's inquiries and provided thorough information when requested. Staff members provided data and other information in a prompt and courteous manner. The Audit Team found knowledgeable and dedicated employees who were receptive to the recommendations made during fieldwork.

The Audit Team tested five demolitions, including contractor invoicing and payments, and did not identify any material concerns. However, during testing of the demolition process, the Audit Team identified two areas for improvement in the condemnation function. The following table summarizes the audit comments and corresponding cross references to the page number where the audit comment details can be found in the report.

AUDIT COMMENT	DESCRIPTION	PAGE REFERENCE
1	Estimates used to determine condemnation eligibility are not consistent with Chapter 81-388, Laws of Florida.	page 3
2	There is an opportunity for the Department to strengthen its condemnation and demolition process.	page 5

**OPINION:**

Based on audit test results, internal controls related to the demolition process are, for the most part, adequate. The Department is in the process of revising policies and procedures as it plans to move from using the *Permits' Plus* software application to the *Accela* software application. Methodologies used in the condemnation and demolition areas could be improved to enhance overall operations.

The Audit Team's recommendations, if implemented, will improve the internal controls used to carry out the Department's assigned responsibilities for demolition activities.

The exit conference was conducted on October 22, 2013.

**AUDITED BY:**

Peggy Caskey, Director, County Audit  
 Steve Hooper, Audit Manager  
 Margaret Brown, Senior Internal Auditor  
 Benjamin Everett, Internal Auditor

## AUDIT COMMENTS & RECOMMENDATIONS

**Non-Compliance:** Listed below is an audit comment where the Audit Team noted a lack of compliance with Laws of Florida. For the audit comment, a recommendation has been included.

### AUDIT COMMENT 1

#### **Estimates used to determine condemnation eligibility are not consistent with Chapter 81-388, Laws of Florida.**

During the Audit Team's testing of the Department's compliance with policy and standards, the Team identified a non-compliance with Section 2 of Chapter 81-388 Laws of Florida. The Law states:

*"Whenever any building or structure in Hillsborough County, outside any municipality, which, by reason of fire, age, decay, deterioration, structural defects, improper design, unstable foundation, termites, or other causes shall be dangerous to the occupants thereof or to surrounding buildings and the occupants thereof, a menace to public health, a fire hazard, or unsafe so as to endanger life or property or render the use of the public streets dangerous and shall be damaged, deteriorated, or defective to such an extent that the cost of restoration or repair thereof will exceed fifty percent (50%) of the value thereof after (emphasis added) restoration or repair, such building or structure is hereby declared to be unsafe and to constitute a nuisance."*

Inconsistent with the above stated Laws of Florida, the Department currently uses a different methodology to determine if a building is declared to be unsafe and to constitute a nuisance (eligible for condemnation). The Department uses half (50%) of the Property Appraiser's building value to compare against the identified repair costs. If the identified repair costs are greater than 50% of the Property Appraiser's building value, then the structure is identified as eligible for condemnation.

#### **RECOMMENDATION:**

Consideration should be given to revising the condemnation eligibility procedure to include the methodology used to comply with Chapter 81-388, Laws of Florida.

#### **CLIENT RESPONSE:**

*Concur*

***CORRECTIVE ACTION PLAN:***

*The department has recently converted to utilizing the Substantial Damage Estimator program which is currently in use and approved by FEMA to calculate the estimated amount of damage to verify whether repair/replacement costs will or will not exceed the 50% value of the restored structure. This will be the standard for determining whether a damaged structure meets the condemnation criteria in Chapter 81-388, Laws of Florida.*

***TARGET COMPLETION DATE:***

*10/01/2013*

**Control Activities:** Listed below are audit comments that represent opportunities for the Department to strengthen the internal controls surrounding its condemnation and demolition process. For each audit comment, a recommendation has been included.

## AUDIT COMMENT 2

**There is an opportunity for the Department to strengthen its condemnation and demolition process.**

During testing for the adequacy and effectiveness of the Department's demolition function's general controls, the Audit Team identified the following concerns:

1. *Departmental Policy CE-19*, which is a combined policy and procedures document for the condemnation and demolition process, has been developed and "implemented" by the Department but it has not yet been approved by management. As a result, condemnation and demolition tasks may not be performed consistently.
2. The Audit Team could not verify the costs associated with the condemnation for two of the five demolitions tested. For example:
  - The method(s) used to obtain square footage (construction) cost could not be assessed.
  - The method used to estimate repair costs of the existing structure could not be assessed.
  - There is an error in a calculation on the condemnation report used to determine eligibility for condemnation. The Department acknowledged that this was caused by an error in an Excel spreadsheet formula.

As a result, the Audit Team is not able to determine whether or not the cost of restoration or repair for the two properties exceeded 50% of the value after restoration or repair required by Section 2 of Chapter 81-388, Laws of Florida.

The remaining three structures were demolished as a result of a catastrophic event:

- Two were demolished due to a sinkhole incident, where remediation costs were estimated by a professional engineer at more than \$100,000 for each structure.
- One was demolished due to a fire, where the structure was completely destroyed.

The condemnation and subsequent demolition of these structures were adequately and sufficiently documented.

## RECOMMENDATION:

1. Consideration should be given to ensure that the control weaknesses identified in Audit Comments 1 and 2 are formally documented in Departmental Policy CE-19 and the Policy is approved by the Department Director. The policy should include:

- How the square footage costs are assessed.
  - How reasonable estimated repair costs are calculated and verified.
  - A policy statement that corresponds with the condemnation eligibility procedure recommended in Audit Comment 1.
2. Consideration should be given to revising the calculations used on the condemnation report to ensure that they are properly formulated and yield the intended result.

***CLIENT RESPONSE:***

1. *Concur*
2. *Concur*

***CORRECTIVE ACTION PLAN:***

1. *Completed. The Substantial Damage Estimator Program discussed in Audit Finding number one satisfies the recommendation above.*
2. *Completed. The Substantial Damage Estimator Program discussed in Audit Finding number one satisfies the recommendation above.*

***TARGET COMPLETION DATE:***

1. *10/22/2013*
2. *10/22/2013*