



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

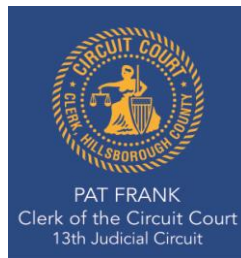
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

CAPITAL LAND ASSETS INVENTORY RECORDS

REPORT # 280

MARCH 10, 2015



March 10, 2015

Dear Ms. Frank, Clerk of the Circuit Court:

The Audit Team performed an audit of the capital land assets inventory records (Audit Report # 280, dated March 10, 2015). Responses to the Audit Team's recommendations were received from the Director of County Finance and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

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

Sincerely,

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

CC: Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy - Finance

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

When the Board of County Commissioners (BOCC) acquires or disposes land, the transaction is recorded in three records:

Elected Body	Department	Record Type	Trigger Point	Tracked By
Property Appraiser	Property Appraiser	Property Record	Clerk of Circuit Court's Official Records Department Records the Property Deed	Parcel Identification Number (PIN) and Folio Number
Board of County Commissioners	Real Estate Department	Inventory Record	Clerk of Circuit Court's Official Records Department Records the Property Deed	Folio Number
Clerk of Circuit Court	County Finance's Capital Assets Section	Financial Record	Real Estate Department's Notification	Asset Number and Location

The Clerk's Capital Assets Section verifies that the transaction is sufficiently supported by documentation prior to data entering the transaction into the financial record.

For the past four years, the external audit firm, Cherry Bekaert, L.L.P (CB), performed the financial audit for the BOCC and the Clerk. CB reviewed asset acquisitions and disposals as part of its audit procedures.

OBJECTIVE

The objective of the audit was to determine the reliability of the fixed asset inventory records for land owned by Hillsborough County.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on

the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The Audit Team:

- Identified and documented the Clerk's Capital Assets Section's workflow and control environment.
- Reconciled the Property Appraiser's records to the BOCC's Real Estate Department's records and to the financial records.

OVERALL EVALUATION

The Clerk's Capital Assets Section, County Finance Department, BOCC's Real Estate Department and Property Appraiser were responsive to the Audit Team's inquiries and provided thorough information when requested. Data and other information were provided in a prompt and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	The Clerk's control environment over financial records for land inventory does not provide assurance that the recorded land assets are in agreement with the Property Appraiser's and/or the BOCC's Real Estate Department's records of County owned land.	4

OPINION

The BOCC's Real Estate Department was able to reconcile 99% of its capital land assets inventory records to the Property Appraiser's property tax records (property tax roll data). The Clerk's Capital Assets Section was able to reconcile 21% of its capital land assets financial records to the Property Appraiser's property records. The Clerk's Capital Assets Section had difficulty reconciling the inventory records due to: a lack of common data field identifiers such as a folio number; and splitting or rejoining parcels in one record and not the other.

The Clerk's management recognizes that the financial records do not provide sufficient detail to reconcile to the BOCC's Real Estate Department's inventory

records and the Property Appraiser's property records. Management indicated that it would be beneficial to reconcile these three records, but having nonreconciling differences is an acceptable risk. Management cited that there is no requirement to reconcile the three records for balance sheet purposes. CB cited that it is reasonably comfortable that the capital land asset cash transactions are properly recorded in the financial records, but there is a risk that non-cash land transactions, donated land, and defaulted land transactions may not be consistently recorded in the Clerk's financial records. CB reported a material weakness in internal controls over non-cash transactions, as noted in Finding 2012-01.

CB indicated that it would be desirable for the Clerk's Office to perform a full reconciliation of its capital land assets financial records to the two records as a long-term project.

The exit conference was held on February 11, 2015.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, Director of County Audit
Mark Kolman, CIA, CISA, CPA, CFE, Audit Manager
Brenda Tyler, CGAP, Auditor II

AUDIT COMMENT & RECOMMENDATION

AUDIT COMMENT 1

The Clerk's control environment over financial records for land inventory does not provide assurance that the recorded land assets are in agreement with the Property Appraiser's and/or the BOCC's Real Estate Department's records of County owned land.

Objective

The objective was to determine the reliability of the fixed asset inventory records for land owned by Hillsborough County. To accomplish this objective, the Audit Team:

- Identified and documented the Clerk's Capital Assets Section's workflow and control environment.
- Reconciled the Property Appraiser's records to BOCC's Real Estate Department's records and to the financial records.

Audit Test Procedures

Workflow and Control Environment

The Audit Team interviewed key staff members from the Clerk's Capital Assets Section and the BOCC's Real Estate Department to identify and document the Clerk's Capital Assets Section's workflow and control environment.

Information on land asset acquisitions and disposals is provided to the Clerk's Capital Assets Section by the BOCC's Real Estate Department. Journal entries are prepared to record the transactions. Capital Asset Section management approves the journal entries and reviews quarterly reports for land asset changes.

Test Results: The Clerk's Capital Assets Section does not record the land asset's folio number when recording the land asset into Oracle. The folio number is the common identifier used by the BOCC's Real Estate Department and by the Property Appraiser. The Clerk's Capital Assets Section's procedures for recording land acquisitions and disposals provides assurance that the journal entries are made, but the procedures do not ensure that the information recorded in Oracle matches the information recorded in the BOCC's Real Estate Department's or the Property Appraiser's records.

Records Reconciliation Test

1. The Audit Team obtained the full population of Property Appraiser's records for land owned by the BOCC. Using an 80% confidence level, the Audit Team selected a random statistical sample of 155 property records from the population of 2,644 records. The Audit Team requested the Clerk's Capital Assets Section to reconcile the sample of 155 property records to the financial records.

Test Results: The Clerk's Capital Assets Section reconciled 21% of the sample of property records to the financial records. The remaining 79% could not be reconciled primarily due to: the folio number not being recorded in the financial record; and splitting or rejoining parcels in one record and not the other.

Because the Clerk's Capital Assets Section cannot accurately match its land records to the Property Appraiser's records using a common data field as an identifier (such as a folio number), research and some assumptions are used for recording land disposals. The recording of disposals in Oracle may not be an accurate match to the Property Appraiser's records.

Per the Clerk's Capital Assets Section's management, reconciling the full population of the financial records to the property records would be extensive and time consuming.

The Clerk's Finance Department management recognizes that the financial records, for the most part, do not provide sufficient detail to reconcile to the property records or to the inventory records. Per management, reconciling these three records would be ideal but having non-reconciling differences is not a high risk area. Furthermore, management cited that there is no requirement to match the records for balance sheet purposes. Per management, large plots of land are included in the financial records and lower valued land is immaterial to the financial statements.

2. The Audit Team requested the BOCC's Real Estate Department to reconcile the full population of 2,226 property records to its inventory records.

Test Results: The BOCC's Real Estate Department reconciled 99% of the 2,226 property records to the inventory records. No material concerns were identified during testing.

Reliability of the Financial Statements

The Audit Team communicated with a CB partner and audit manager regarding the audit steps CB performed to gain a reasonable level of assurance that the Clerk's financial records for the balance sheet's land assets line item is materially accurate and complete.

Test Results: It appears that CB is reasonably comfortable that the capital land asset cash transactions in the years of its audits are properly recorded in the financial records but there is a risk that non-cash land transactions, donated land, and land that the BOCC takes back due to the purchaser defaulting on the payment may not be consistently recorded in the financial records, as noted in its control finding 2012-01 in FY 2012. CB indicated that it would be desirable for the Clerk's Office to perform a full reconciliation of its capital land assets financial records to the Property Appraiser's and the BOCC's Real Estate Department's records as a long term project.

RECOMMENDATION

To help ensure that the Clerk's financial records accurately value and account for capital land assets owned by the County, consideration should be given to the Clerk's Capital Assets Section initiating a project, perhaps in partnership with the BOCC's Real Estate Department, to reconcile the Clerk's Oracle land records with the Property Appraiser's property records.

CLIENT RESPONSE

Do Not Concur

CORRECTIVE ACTION PLAN

County Finance respectfully disagrees with this recommendation. From our viewpoint, because of the effort/cost involved, a reconciliation attempt would not be beneficial. Clerk Official Records, the BOCC's Real Estate Department, the Property Appraiser, and the County Finance Department maintain land records for different purposes. Moreover, the Property Appraiser's records are not really relevant in accounting for capital land assets. As you know, land is recorded at the price paid or the value at the time donated. We believe we are

performing this function well. In addition, we believe land is a low risk asset with minimal risk of theft or loss. When land, rights-of-ways or easements are donated to the County by real estate developers and others, there may not be a folio number because County land is not taxable or because landowners transfer a sliver of a larger parcel of land or transfer to the County an "intangible" right to use a parcel of land. As a result, the original owner's name may still be attached to the folio number. BOCC's Real Estate does not track donated land, rights-of-ways and easements. In the spirit of the recommendation, when land is purchased in the future (i.e. not donated) and a folio number is provided, we will record it in the "serial number" field in the Oracle Assets Subledger. However, attempting to reconcile the Clerk's land accounting records to the Property Appraiser's records would not be useful from a cost-benefit viewpoint.

TARGET COMPLETION DATE

N/A