



Auditor General Update

**Florida Association of Property Appraisers
2014 Post Legislative Conference**

June 10, 2014

Topics for Discussion

- **Overview of the Auditor General's responsibilities**
- **Audits of Property Appraisers**
- **County Value Adjustment Boards and Department of Revenue's Oversight Thereof - Performance Audit No. 2014-194**



Who Are WE, And What Do We Do?

- Arm of the Legislature**
- Staff of approximately 360**
- Offices located across the State**



Audits of State Agencies

- Annual audit of the State of Florida's financial statements
- Annual audit of Florida's Federal awards
- Operational audit of each State agency at least every three years



Audits of State Agencies (continued)

- Performance audit of the Department of Revenue's administration of the ad valorem tax laws at least every three years**

- Performance audit of the local government financial reporting system at least every three years**

- Review of State agencies' internal audit reports once every three years**

Audits of Judicial-Related Entities



Operational audits at least every three years:

- State Courts System**
- Judicial Qualifications Commission**
- State Attorneys and Public Defenders**
- Justice Administrative Commission**
- Florida Clerks of Court Operations Corporation**
- Capital Collateral Regional Counsel**
- Criminal Conflict and Civil Regional Counsel**
- Guardian Ad Litem**



Audits of State Universities

12 State Universities

- Annual financial statements audit
- Included in State of Florida's financial statements
- Federal awards included in State of Florida's Federal awards audit
- Operational audits at least every three years

Audits of State Colleges



28 State Colleges

- Annual financial statements audit
- Included in State of Florida's financial statements
- Federal awards included in State of Florida's Federal awards audit
- Operational audits at least every three years



Audits of District School Boards

67 District School Boards

- 37 districts audited on an annual basis
- 30 districts audited on a 3-year rotation basis
- Audits include financial statements, Federal awards, and operations
- Private sector CPAs audit the districts during the two year period between rotations



Audits of District School Boards (continued)

- ❑ Guidance on district school board audits
 - Rules – Chapter 10.800**
 - Compliance Supplement**
 - Audit Report Review Guidelines****

- ❑ Review audit reports from private sector CPAs in consultation with the Florida Board of Accountancy**

- ❑ Compile summary of significant findings and financial trends**



Audits of District School Boards (continued)

- ☐ Attestation review of the Florida Education Finance Program (FEFP) at each district school board at least every 3 years**



Audits of Charter Schools

- Performed by private sector CPAs**
- Guidance on charter school audits**
 - **Rules – Chapter 10.850**
 - **Audit Report Review Guidelines**
- Review audit reports from private sector CPAs in consultation with the Florida Board of Accountancy**
- Compile summary of significant findings and financial trends**



Audits of Local Governments

- ❑ **Financial audits performed by private sector CPAs**
- ❑ **Guidance on local government audits**
 - **Rules – Chapter 10.550**
 - **Audit Report Review Guidelines**
 - **Florida Single Audit Act Guidance**
- ❑ **Review audit reports from private sector CPAs in consultation with the Florida Board of Accountancy**
- ❑ **Compile summary of significant findings and financial trends**
- ❑ **Financial condition monitoring**



Audits of Local Governments (continued)

- ❑ Operational audits of water management districts at least every three years**
- ❑ Special audits of local governments**
 - Petition by a municipality**
 - Under the Auditor General's own authority**
 - Direction from the Legislative Auditing Committee**



Other Audits and Engagements

Includes in part:

- ❑ Information technology programs, activities, functions, or systems of any governmental entity created or established in law**
- ❑ Public records associated with any appropriation made by the Legislature to a nongovernmental agency, corporation, or person**
- ❑ State financial assistance provided to any non-state entity**



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Audits of Property Appraisers

Property Appraisers are county agencies

Section 11.45(1)(b), FS, defines a county agency as a board of county commissioners or other legislative and governing body of a county, however styled, including that of consolidated or metropolitan government, a clerk of the circuit court, a separate or ex officio clerk of the county court, a sheriff, a **property appraiser**.....



Audits of Property Appraisers

Property Appraisers are local governmental agencies

*Section 218.31(1), FS, defines a local governmental agency as a **county agency**, municipality.....*



Audits of Property Appraisers

Property Appraisers are required to have an annual financial audit

Section 218.39 (1), FS, requires local governmental entities to have an annual financial audit of its accounts and records completed within 9 months after the end of its fiscal year by an independent CPA retained by it and paid from its public funds.



Audits of Property Appraisers

Property Appraisers financial audit is to be included in the county audit report

Section 218.39 (2), FS, requires the county audit report to be a single document that includes the financial audit of the county as a whole and, for each **county agency**.....an audit of its financial accounts and records.....as required by rules adopted by the Auditor General.



Audits of Property Appraisers

Auditor General reviews all audit reports submitted and prepares a summary of significant findings and financial trends identified in audit reports reviewed for the Legislature

Section 11.45(7), FS, requires the Auditor General to review all audit reports submitted and provide the Legislature with a summary of significant findings and financial trends identified in the audit reports reviewed.



Report No. 2014-194

County Value Adjustment Boards And Department of Revenue's Oversight Thereof

Performance Audit

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Common Questions Regarding the VAB Audit

- How was the audit topic selected?
- How were the sampled counties selected?
- How were the audit questions developed?
- Who provided information for the audit?



Report No. 2014-194

Finding No. 1: Appeal Process

Independence in the appeal process at the local level may have been compromised due to local officials involved in the process who may not have been impartial and whose operations are funded with the same property tax revenue at stake in the appeal process. Additionally, enhanced uniformity in the way VABs document compliance with appeal process requirements, and the establishment of general information on Florida's property tax system for use Statewide by all VABs in complying with DOR Rule 12D-9.013(1)(i), FAC, could promote fairness and consistency in the appeal process.



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Finding No. 1 Recommendation:

The Legislature should consider: (1) requiring that rules of conduct or ethical codes, with appropriate sanctions, be established for VAB members and staff, VAB clerks, VAB attorneys, and special magistrates in their respective roles in the appeal process; (2) creating an appeal process at the regional or State level; and (3) requiring that the VAB be composed of individuals, the majority of which are not county government or school board officials. In doing so, the Legislature should consider the other recommendations in this report and the extent to which those recommendations are adopted by the Legislature, the DOR, and the VABs.



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Finding No. 1 Recommendation (continued):

Additionally, the DOR should develop uniform checklist forms for inclusion in its uniform policies and procedures manual for the VABs use in documenting compliance with various appeal process requirements. The DOR should also establish general information on Florida's property tax system to be used by the VABs in fulfilling the requirements prescribed in DOR Rule 12D-9.013(1)(i), FAC.



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Finding No. 2: Appearance of Bias and Undue Influence

Our review disclosed an instance of noncompliance with DOR rules for one VAB that gave the appearance of bias and undue influence in the appeal process



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Finding No. 2 Recommendation:

The VABs should ensure all participants in the appeal process receive fair and equitable treatment regarding ex parte communication consistent with DOR rules.



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Finding No. 3: Special Magistrates' Dual Office Holding Prohibition

Special magistrates served on multiple VABs during the same tax year, which appears to be inconsistent with the State Constitution dual office holding prohibition.



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Finding No. 3 Recommendation:

The Legislature should consider revising Section 194.035, Florida Statutes, to clarify whether special magistrates may serve on multiple VABs.



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Finding No. 4: Verification of Special Magistrates' Experience and Qualifications

Selection of special magistrates may not have been based solely on experience and qualifications, contrary to law and DOR rules, and verification of such information was not always documented.



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Finding No. 4 Recommendation:

The VABs should ensure that only the factors prescribed by law are considered in selecting special magistrates, that information provided by special magistrates is verified each tax year, and such verification is documented. Additionally, the Legislature should consider revising Section 194.035, Florida Statutes, to provide for consideration of specific prior work performance factors when selecting special magistrates.

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Finding No. 5: Special Magistrate Training

Special magistrate training was not verified by the DOR prior to issuing statements acknowledging receipt of training, and one VAB did not document special magistrate training in its records

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Finding No. 5 Recommendation:

The VABs should ensure that special magistrates receive appropriate training in a timely manner and that training is evident in its records. Also, the DOR should verify that training has been received by special magistrates prior to issuing statements acknowledging receipt of training.



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Finding No. 6: VAB Prehearing Verification of Compliance with Legal Requirements

Verification of compliance with law and DOR rules relating to VAB prehearing requirements was not always documented.



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Finding No. 6 Recommendation:

The VAB clerks should ensure that verification of compliance with Florida Statutes and DOR rules as prescribed by DOR Rule 12D-9.014, FAC, is documented.



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Finding No. 7: VAB Organizational Meeting

VAB organizational meetings were not always held in accordance with the requirements prescribed by DOR.



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Finding No. 7 Recommendation:

The VABs should ensure that organizational meetings are conducted in accordance with applicable DOR rules, that all requirements are adequately satisfied, and that the meeting minutes reflect all discussions.



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Finding No. 8: VAB Hearing Commencement

Prescribed procedures for commencing VAB hearings were not always followed by the VABs, contrary to DOR rules.



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Finding No. 8 Recommendation:

The VABs should ensure that all hearings are conducted in accordance with DOR Rule 12D-9.024, FAC.



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Finding No. 9: Presumption of Correctness of Property Appraisers' Assessments

Some VAB's records did not evidence consideration of the property appraiser's presumption of correctness issue, and one VAB did not consider this issue first at hearings, contrary to DOR rules.



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Finding No. 9 Recommendation:

The VABs should ensure that the presumption of correctness of property appraisers' assessments is the first issue considered in hearings in accordance with DOR Rule 12D-9.024(7), FAC.



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Finding No. 10: VAB Written Decisions

VAB written decisions were not always sufficiently detailed contrary to law and DOR rules.



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Finding No. 10 Recommendation:

The VABs should ensure that written decisions sufficiently document the findings of fact, conclusions of law, and reasoning for upholding or overturning the determination of the property appraiser as required by Section 194.034(2), Florida Statutes, and DOR Rule 12D-9.032, FAC.



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Finding No. 11: Public Notice of VAB Organizational Meetings and Hearings

Public notice of VAB organizational meetings and hearings were not always in accordance with DOR rules.



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Finding No. 11 Recommendation:

The VABs should ensure that the public is properly noticed of its organizational meetings and hearings, and that the notices include all information prescribed by DOR rules.



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Finding No. 12: Allocation of VAB Petition Fees and Expenses

VABs did not always allocate expenses between the board of county commissioners and the school board, contrary to law.



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Finding No. 12 Recommendation:

The VABs should ensure that amounts billed to boards of county commissioners and school boards are reduced by the amount of petition filing fees collected. Also, each of the 6 VABS cited in the finding should refund to its respective board of county commissioners and school boards any excess VAB expenses charged as a result of not defraying such expenses with petition filing fees.



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Finding No. 13: VAB Citizen Members

VAB citizen members did not always meet the specific requirements provided in law and DOR rules to serve on the VABs, and verification of such requirements was not always documented.



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Finding No. 13 Recommendation:

The VABs should ensure that citizen members meet the specific requirements in law and DOR rules to serve on the VABs, and that verification of such requirements is documented.



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Finding No. 14: Taxpayer Representation

Documentation of taxpayer representation for a hearing was not evident for some petitions, contrary to DOR rules.



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Finding No. 14 Recommendation:

The VABs should ensure that petitions filed with the VABs contain the appropriate information, signatures, and authorizations required by DOR rules.



Questions?

Florida Auditor General



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