



Florida Department of Environmental Protection

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Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

MEMORANDUM

TO: Herschel T. Vinyard Jr., Secretary

FROM: Candie M. Fuller, Inspector General

SUBJECT: Audit Follow-up

DATE: July 24, 2012

In accordance with Section 20.055 (5) (h), Florida Statutes, a report of the most recent audits relating to Department of Environmental Protection issued by the Florida Auditor General is attached. The report includes a brief summary of the audit findings, recommendations, and agency response, with status of corrective actions at this time.

Please let me know if you would like additional information regarding this follow-up report.

Attachment

cc: Joint Legislative Auditing Committee

FOLLOW-UP OF AUDIT REPORTS ISSUED BY THE AUDITOR GENERAL OR OPPAGA

AUDITING ENTITY	REPORT NUMBER	PERIOD COVERED	SUMMARY OF FINDINGS AND RECOMMENDATIONS	SUMMARY OF CORRECTIVE ACTIONS TAKEN
Auditor General	2012-010	07/01/2008 - 06/30/2009	<p>Finding No.1: The appraisal reports received by the Department did not, in some instances, include proper appraisal methodology with sufficient detail and reasoning to support the value conclusions reached by the appraisers.</p> <p>Recommendation: The Department should ensure that appraisers and review appraisers practice greater due diligence in applying proper valuation methodology along with sufficient detail, reasoning, and support value conclusions.</p>	<p>The Department is proposing rulemaking for revisions to Chapter 18-1, State Land Acquisition Procedures, Florida Administrative Code, which will also comprise revisions to the Supplemental Appraisal Standards for Board of Trustees Land (Supplemental Standards).</p>
			<p>Finding No.2: In some instances, the highest and best use analysis included within the appraisal reports was not fully supported.</p> <p>Recommendation: The Department should ensure that the highest and best use analysis in appraisal reports thoroughly discusses all uses that are physically possible, legally permissible, and financially feasible, rather than focusing on one use throughout the analysis. The Department should also make sure that highest and best use conclusions are specific, provide an estimated time for development (based on supply and demand factors), and address interim uses during the short-term if a change in use is proposed in the future.</p>	<p>The Department proposes updating the Supplemental Standards. A checklist that appraisers are to include in their appraisal reports is a part of the Supplemental Standards. The checklist is to be revised and made more specific to help ensure that appraisal reports comply with the Supplemental Standards in regard to the highest and best use requirements.</p>

		<p>Finding No.3: We noted many instances of errors and omissions within the appraisal reports that, while not material to the value conclusions made by the appraisers, demonstrated a lack of attention to detail in the preparation of the reports by the appraisers, and the subsequent review by the contracted review appraisers.</p> <p>Recommendation: The Department should exercise greater oversight of appraisers and review appraisers to ensure that appraisal reports are complete, accurate, and in full compliance with applicable standards.</p>	<p>Upon completion of revisions to the Supplemental Standards, appraisers and reviewers hired by the Department will be notified of the changes, as well as being provided access to the revised Supplemental Standards on the Department's web site.</p>
		<p>Finding No.4: In some instances, the negotiation files maintained by the Department did not contain written offers and counteroffers, contrary to Section 259.041(8)(c), Florida Statutes.</p> <p>Recommendation: The Department should take steps to ensure that written offers and counteroffers are obtained pursuant to Section 259.041(8)(c), Florida Statutes, and amend any existing multi-party agreements that contain language contrary to that law.</p>	<p>The Department implemented a Chronology of Offers form to be used for each negotiation. This form is used in conjunction with written offers and responses.</p>
		<p>Finding No.5: Evidence of pre-approval of extraordinary assumptions applied in appraisal reports was not maintained in the Department's appraisal files.</p> <p>Recommendation: To comply with Section A-2.03 of the Supplemental Standards, the</p>	<p>The Department is proposing rulemaking for revisions to Chapter 18-1, State Land Acquisition Procedures, Florida Administrative Code, which will also comprise revisions to the Supplemental Appraisal Standards for Board of Trustees Land (Supplemental Standards).</p>

			<p>Department should ensure that written pre-approval from the Bureau Chief of any extraordinary assumptions to be applied in appraisal reports is obtained and maintained in the Department's appraisal files.</p> <p>Finding No.6: Department procedures used to acquire appraisers and review appraisers were not written and should be revised to increase the minimum number of bids solicited. Also, the Department did not obtain required affidavits in a timely manner.</p> <p>Recommendation: The Board of Trustees should revise its rules to specify a minimum acceptable number of bids that should be considered for each acquisition of appraisal services without appropriate written justification. The Department should develop and implement written policies and procedures to ensure compliance with applicable laws and rules pertaining to the acquisition of appraisal and appraisal review services. Such policies and procedures should include the establishment of a minimum number of appraisers that should be solicited for bids to ensure compliance with the Board of Trustees' rules.</p>	
Auditor General	2012-011		<p>The Department is in the process of writing a procedure manual for the appraisal process, which will help ensure compliance with applicable laws and rules.</p> <p>For the finding regarding the appraisal affidavits not being received prior to contracting, a database and tracking system implemented in October 2010 indicates if the affidavit has been received, which will help ensure that this requirement is met. This database was in use prior to the audit report being published, but after the audit period.</p>	
			<p>Finding No.1: Sovereignty Submerged Land Leases – The Department lacked effective controls to ensure that all sovereignty submerged land leased sites were timely inspected, that adequate follow-up was performed on noted noncompliance, and that information regarding lease inspections</p>	<p>The Department has made changes to ILMMS to ensure that the extended term leases are captured and reported for timely inspections and, for the third year in a row, we have had 100% of the required inspections completed timely.</p>

			<p>was correctly entered into the Integrated Land Management System (ILMS).</p> <p>Recommendation: We recommend that the Department enhance its procedures to ensure that each submerged land lease receives an on-site inspection at least once every five years as required by Board rules, that information regarding on-site inspections is timely and accurately enter into ILMS, and that lessees found to be in noncompliance are timely notified.</p>	
			<p>Finding No.2: Upland Leases with Governmental Entities – The Department should continue its efforts to ensure the timely receipt and review of land management plans and land use plans.</p> <p>Recommendation: We recommend that the Department continue its efforts to obtain delinquent management and use plans. Following the exhaustion of all reasonable efforts to obtain the delinquent plans, the Department should consider requesting Board consideration of the termination of the leases granting the use of the applicable State lands.</p>	<p>A policy has been adopted, in which the Department will consider requesting the Board entertain termination of the leases granting the use of the applicable State lands when leaseholders are deemed non-compliant. This policy will be implemented once database discrepancies and missing contact information are resolved, so that leaseholders are not unfairly targeted for potential lease termination. Currently, contacted entities have been very cooperative in acting to comply with overdue plans, so no such actions are planned at present.</p>
			<p>Finding No.3: Hunt Camp Leases – The Department should establish written procedures for the inspection of leased hunt camp sites.</p> <p>Recommendation: We recommend that the Department amend hunt camp inspection</p>	<p>The Department has developed an Inspection Report Form which includes inspection criteria as recommended by the audit. Various management tools have been put in place to assure the Department does our due diligence on hunt camp lease reviews including but not limited to, the placement of Outlook calendar reminders that inspections</p>

		<p>procedures to include specific inspection criteria. In addition, we recommend that documentation of the date of the inspection, the inspector's name, communication of the noncompliance to the lessee, and supervisory review be maintained. We further recommend that the Department enhance efforts to ensure that inspection violation letters are timely sent, that adequate follow-up is conducted, and that leases are terminated when noncompliance issues are not timely addressed.</p> <p>Finding No.4: Basis for Assessed Fees – The Department had not documented that the current authorized fee assessment amounts were reasonable and commensurate with the Department's actual cost of administering and managing leases and easements.</p> <p>Recommendation: We again recommend that the Department conduct periodic analyses of the actual cost of administering and managing leases and easements to use as a basis for recommendations to the Board of changes in fee assessments.</p>	<p>are updated and that non-compliance issues are resolved on time as stated in our letters.</p>
			<p>Although there has been some changes to the applicable statute, rule and policies that require additional staff time, the Department is continuing ways to streamline processes to aid in reducing staff time, thereby lowering the cost of administering and managing leases and easements. Nothing has significantly changed for the need to do another estimate of costs to administer and manage leases and easements.</p>