



Florida Department of Revenue
Office of Inspector General

Jim Zingale
Executive Director

5050 West Tennessee Street, Tallahassee, FL 32399

floridarevenue.com

February 22, 2023

MEMORANDUM

TO: Jim Zingale, Executive Director

FROM: Angie Welch, Inspector General *AW*

SUBJECT: Six-Month Update on Auditor General Report Number 2023-014,
Department of Revenue Administration of Ad Valorem Tax Program

As required by *section 20.055(6)(h), Florida Statutes*, attached is the Department's six-month status update for corrective actions taken in response to Auditor General Report Number 2023-014, Department of Revenue Administration of Ad Valorem Tax Program.

The Property Tax Oversight program (PTO) provided updates on actions taken to correct the following findings. Additionally, PTO indicated all are considered closed by the program, except for Findings 4 and 5.

Finding 1: As similarly noted in report No. 2020-003, the Department did not adequately ensure for a certain property stratum that sales ratio study samples were representative of the population.

Status: PTO is updating the Post Roll Analysis Review of Assessment Rolls procedures document for 2023 to include performing an additional review of the stratum COD (Sales Only) when the just value comparison report sales are less than the Department's 30-sample threshold. The estimated completion date of this document is March 2023.

Finding 2: Department appraisal records did not always reasonably support property values.

Status: The Department has made several improvements to address the quality of appraisal work. Due to larger required appraisal samples, additional appraisal staff positions were needed in the Department. The Department sought and received six new appraisal positions through a 2021-22 Legislative Budget Request (LBR) and funding for these positions in a FY 2022-23 LBR. Additionally, the Department implemented an improved hiring initiative to fill these positions as soon as possible. Through this successful initiative, the Department was able to add ten additional appraisers to complete methodology reviews of appraisal work for the 2023 In-depth Study (IDS), representing over a fifty percent increase in these positions compared to the prior year. The Quality Review Process was also separated from field management and placed under the supervision of an autonomous Quality Review Appraiser Supervisor who oversees the quality appraisal review staff. These changes will allow for more appraisals to be reviewed. Through these reviews, the opinion of value of staff appraisals can be further analyzed and substantiated through the review of income and sales data used in the report. We consider this finding closed.

Finding 3: Department records did not evidence that the 2019 assessment roll review results were timely published, and the Department published the 2020 assessment roll review results subsequent to audit inquiry and approximately 7 months late.

Status: The Department created additional procedures to ensure the timely creation and posting of this report. Two processes now provide quality assurance that the report is created and posted timely. In 2021 and 2022, both of these reports were created and posted timely. We consider this finding closed.

Finding 4: Department information technology (IT) access privilege controls for the PTO Oracle application and Department network need enhancement.

Status: The finding has two recommendations requiring a response:

- 1) Information Services Program (ISP) is researching the best option to ensure that network access control records are retained one year beyond the separation date of each account, per records retention schedules.
- 2) A periodic review of access to the PTO Oracle application has been discussed with PTO management. ISP will draft the procedure which will review the AD group membership related to PTO Oracle login access and those with administrative access to the database itself.

The two items have not yet been started but should be completed by the end of June 2023.

Finding 5: Security Controls related to user authentication for the PTO Oracle database and Department network need improvement to ensure the confidentiality, integrity, and availability of Department data and IT resources.

Status: ISP is actively implementing the security controls related to user authentication in phases across the Department. PTO users will start being set up with the controls on February 14th, 2023 and completion is expected by the end of April 2023.

For additional information about the findings, recommendations, and corrective actions, please see the attached corrective action plans. If you have any questions, please contact me at (850)617-8152, or Christy Temples at (850)717-7135.

AW/ct

Attachments

Copies:

Clark Rogers, Deputy Executive Director

Jimmie Harrell, ISP Director

Rene Lewis, PTO Director

Kathy DuBose, Coordinator, Joint Legislative Auditing Committee

Response to Preliminary and Tentative Audit Findings

Department of Revenue Performance Audit:

Administration of the Ad Valorem Tax Program

Finding Number 1: As similarly noted in our report No. 2020-003, the Department did not adequately ensure for a certain property stratum that sales ratio study samples were representative of the population.

Recommendation: In accordance with *IAAO Standard on Ratio Studies*, we recommend that Department management verify that county assessing officials have established a quality control program to ensure that sold and unsold properties are appraised at the same level. We also recommend the Department continue its efforts to ensure the representativeness of statistical samples to the population of properties.

Response: In accordance with section 195.096(2) (c), F.S., the Department relies primarily on assessment-to-sales-ratio studies and, per IAAO guidelines, augments sales with appraisals to produce a statistically reliable sample size for evaluating levels of assessment.

The report's comments and recommendation on sample representativeness are based upon a statistically unreliable sample that does not meet the Department's 30-sample threshold for stratum 6.

As a primary test in determining whether sales chasing is occurring, the Department uses the just value comparison report to compare the average percent change in just value for both sold and unsold properties. The Department also calculates the Coefficient of Dispersion (COD) on all sales within each stratum in the Full Year Qualified Sales Report (FF1E). The IAAO recommended COD standards for stratum 6 properties varies from 5 to 25 for small counties to 5 to 15 for the largest counties. The IAAO Standard on Ratio Studies (2013) states that a COD below 5.0 may indicate sales chasing. The lack of sales (less than 30) in the just value comparison report referenced in the audit report was not statistically reliable to determine whether sales chasing did or did not occur in Stratum 6 for Alachua and Martin counties. However, upon further analysis, when calculating the COD using only sales in stratum 6, the COD for both counties are within the acceptable range and did not indicate sales chasing occurred. Alachua county's 2019 stratum 6 full year qualified sales (45) produced a COD of 7.6. Martin county's 2020 stratum 6 full year qualified sales (61) produced a COD of 5.7. Both calculations fall within the IAAO's COD standard for stratum 6 properties.

The Department's oversight responsibilities include performing an in-depth statistical analysis of the uniformity and equity of each stratum during post roll analysis. Additionally, this oversight includes procedures for detecting sales chasing. The results and findings of the post roll analysis reveal whether the county assessing officials have incorporated a quality control program.

The Department is continually improving its oversight responsibilities. In 2021, the Department improved the just value comparison report by incorporating additional filters, further stratifying each stratum, and displaying the data by use code. This improvement increased the number of sales used in the comparison for detecting sales chasing and provided comparative sales by use code. Additionally,

beginning with the 2023 tax roll, the Department will modify procedures for post roll analysis to include performing an additional review of a stratum COD (sales only) when the just value comparison report has sales that fall below the Department's 30-sample threshold.

Finding Number 2: Department appraisal records did not always reasonably support property values.

Recommendation: We recommend that Department management take steps to ensure that appraisal records reasonably support value estimates for all properties.

Response: The Department has thoroughly researched the above finding. It has been determined that the issue involved in Volusia County was isolated to that county's study. However, to emphasize the importance of accurate and comprehensive appraisal records, the Department implemented the following best practices and improvements beginning with the 2023 tax roll. At the beginning of each in-depth study, internal trainings will be held for appraisers on the importance of documenting all differences or findings. These differences should be documented in both the notes and the observed factual differences page of the appraisal. Additionally, the Department has expanded the quality review process. In January 2022, a dedicated appraisal review manager was hired who is responsible for developing consistency in training reviewers, monitoring appraisal reviews and addressing any findings throughout the study. This will allow for effective communication with appraisal managers, field staff and expedite corrections if necessary.

Finding Number 3: Department records did not evidence that the 2019 assessment roll review results were timely published, and the Department published the 2020 assessment roll review results subsequent to audit inquiry and approximately 7 months late.

Recommendation: We recommend that Department management strengthen controls to ensure that Department records evidence the timely publishing of assessment roll review results in accordance with State law.

Response: The Department agrees that the 2019 and 2020 tax roll level of assessment report for counties were not posted timely on the website. In 2021, the Department created additional procedures to ensure the timely creation and posting of this report. Two processes now provide quality assurance that the report is created and posted timely. In 2021 and 2022, both of these reports were created and posted timely.

Finding Number 4: Department information technology (IT) access privilege controls for the Property Tax Oversight (PTO) Oracle application and Department network need enhancement.

Recommendation: We recommend that Department management ensure that system-generated network access control records are retained in accordance with the General Records Schedule. We also recommend that Department management establish procedures to ensure that periodic reviews of PTO Oracle application user access privileges are performed and documented in Department records. Any unauthorized or inappropriate access privileges detected by the periodic reviews should be promptly disabled.

Response: The Department will work on a solution to ensure that system-generated network access control records are retained in accordance with General Records Schedule. In addition, ISP will coordinate with PTO to establish a procedure to perform periodic reviews of PTO Oracle application user access privileges and disable any unauthorized or inappropriate access.

Finding Number 5: Security Controls related to user authentication for the PTO Oracle database and Department network need improvement to ensure the confidentiality, integrity, and availability of Department data and IT resources.

Recommendation: We recommend that Department management improve certain security controls related to PTO Oracle database and Department network user authentication to ensure the confidentiality, integrity, and availability of Department data and related IT resources.

Response: The Department will improve certain security controls related to PTO Oracle database and Department network user authentication as specified in the Confidential Finding.