




COUNTY AUDITOR

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October 5, 2005

TO: Honorable Lori Parrish, Broward County Property Appraiser
FROM: Evan A. Lukic, County Auditor 
SUBJECT: Report on Transition Review Services - Phase II

Enclosed is our report on the second and final phase of our transition review services. This phase included a detailed review of payroll transactions, personnel files and sampling of additional vendor transactions of your Office as of December 31, 2004.

Our current findings confirmed our previous assessment that deficiencies existed in management control over the financial and administrative support functions of the Office. We have included specific recommendations addressing each of our findings in our report, and we acknowledge that many of these issues have been or are in the process of being addressed by your staff.

In closing, many thanks to you and your staff for the high level of cooperation and assistance we received in completing this report.

EAL/ng

cc: Mayor and Members, Board of County Commissioners
County Administrator
County Attorney



**Broward County Property Appraiser
Report on Transition Review Services
Phase II**

**Final Report
September 19, 2005**

**Prepared by:
Office of the County Auditor
Broward County, Florida
Report No. 05-07**

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PURPOSE AND SCOPE

At the request of the Property Appraiser, we performed certain transition review services. This report reflects completion of Phase II of our review consisting of detailed reviews of payroll transactions, personnel files and sampling of additional vendor transactions. We have previously issued our Phase I report dated January 14, 2005. Phase I included reviewing the financial status of the Property Appraiser's Office as of December 31, 2004, and reviewing selected transactions, accounts and procedures.

BACKGROUND

On April 7, 2004, Governor Jeb Bush appointed an Interim Broward County Property Appraiser due to the death of the Property Appraiser, William Markham. On November 2, 2004, Lori Parrish was elected Property Appraiser and on January 4, 2005 started her four year term in Office.

FINDINGS AND RECOMMENDATIONS

1. Payment of accrued leave to the former Interim Property Appraiser should be reviewed further

- During his term, the former Interim Property Appraiser was paid for leave accrued prior to his appointment. The sick leave and the annual leave payment was at the Interim Property Appraiser's rate of pay at the time of the payment (\$75.15 per hour) rather than his rate of pay on separation of employment and appointment as the Interim Property Appraiser (\$28.41 per hour). This appears to be inconsistent with s.145.10, *Florida Statutes*, which establishes compensation for property appraisers.
- In addition, the leave payment represented 100% of his accrued sick leave. The Broward County Property Appraiser Deputy Handbook specifies that accrued sick leave is to be paid at a 25% rate upon separation.

We recommend the Property Appraiser consult with legal counsel regarding the above issues to evaluate the propriety of the leave payment since they involve matters of legal interpretation.

2. Compensation incorrectly reported to the Florida Retirement System (FRS)

The Florida Retirement System's Employer Handbook states that only lump-sum annual leave but not lump-sum sick leave received during employment, at termination or retirement is considered to be covered wages for retirement purposes. We found that lump sum sick leave was incorrectly reported to the FRS; and lump sum annual leave was not reported for the September 28, 2004 cash out.

We recommend the Property Appraiser:

- Review and amend the reports submitted to the FRS for all employees
- Take appropriate steps to ensure compliance with the FRS monthly reporting requirements

3. Health benefits were overpaid by \$21,000

The Property Appraiser's Office did not accurately reconcile the monthly employee benefits statements including health and dental insurance to payroll registers or personnel files. Such reconciliations are important to determine over and under payment of benefits and to verify that benefits to new or terminated employees are appropriately reflected on the statements.

We re-performed health insurance reconciliations for the 12 months ended December 31, 2004, and noted the following:

- Current employees, retirees and COBRA enrollees were not charged the correct amount for their respective health insurances. As of December 31, 2004, these errors netted to approximately \$8,000 due back to the Property Appraiser's Office from certain current employees, retirees, and COBRA enrollees.
- The Property Appraiser's Office overpaid their health insurance provider (Aetna) approximately \$13,000 as of December 31, 2004.

We recommend the Property Appraiser:

- Recover \$8,000 from the employees, retirees, and COBRA enrollees and \$13,000 from the insurance provider (Aetna).
- Establish procedures to properly reconcile benefit payments to payroll registers on a monthly basis.

4. Employee files lack proper documentation

We reviewed the Property Appraiser's employee files and noted the following:

- Key documents such as benefit enrollment / change request forms and authorized pay rates are not located in the files.
- No standard forms exist for new hires, and terminations from the Office, thus making it difficult to determine some employee hire dates and termination dates.
- Authorization of pay rates were not documented.
- IRS Form I-9's were not properly completed or included and copies of identification such as driver's licenses, passports, social security cards were missing.
- Post office boxes were listed as some employee addresses and no other street names and addresses were identified.
- No central location or method of ensuring that personnel files are complete.

Employee files were matched to the payroll registers and in one instance, the employee file was missing. Upon inquiry, Property Appraiser staff told us that the deceased employee's file was given to his family and no copies were retained. This is in violation of s. 119.021, *Florida Statutes*.

We recommend the Property Appraiser:

- Establish procedures to ensure that employee files for all current and future employees are complete and include all necessary documentation to be in compliance with federal and state laws and regulations.
- Recover the original documentation distributed to deceased employee's family in violation of Florida Statutes.

5. Accrued leave time is tracked manually and not reviewed for accuracy

As of December 31, 2004, the Human Resources / Benefits Director manually calculated and maintained leave balances on electronic spreadsheets. There was no supporting documentation that these balances are reviewed by employees to ensure the completeness and accuracy of the calculations. Employee attendance records, which could serve as a mitigating control, lacked evidence of employee or supervisory review. As a result, current leave balances could not be verified and could be subject to potential misstatement and error.

We recommend the Property Appraiser:

- Implement an automated system to track accrued leave balances.
- Establish procedures requiring documented reviews of accrued leave balances and attendance records.

6. Deferred Compensation Plan documents are missing

A Property Appraiser's Deferred Compensation Plan was established by the previous Property Appraiser, however, the Plan and related documents were not retained.

We recommend the Property Appraiser obtain copies of the Plan documents and update the documents as appropriate.

7. Establish disbursement controls

A review of selected disbursements disclosed the following errors, control weaknesses, and lack of management review:

- Disbursements missing purchase orders as required by the Accounting Manual
- Missing receiver documentation supporting the proper delivery of goods and services
- Account coding errors
- Disbursements missing approval documentation as required by policy
- Final payments and retainage issued prior to completion of services
- Discounts not taken and late charges applied
- Check stock not properly secured from theft
- Purchase orders and check stubs filed separately from voucher package

We recommend the Property Appraiser implement policies and controls over the purchasing / disbursement process to include the following:

- Matching of purchase order, invoice, and receiver documentation on all disbursements
- Review of disbursements by individuals separate from the recording function
- Segregate the record keeping and cash disbursement function
- Secure check stock
- File consolidated voucher packages which include check stub, purchase order, invoice, and receiver documentation.