



Audit of
County-Owned Real Estate

Office of the County Auditor

Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Audit Conducted by:
Jed Shank, CPA, CIA, Audit Manager
Lisa Lott, Staff Auditor
Kendall Ramsijewan, CPA, Staff Auditor

Report No. 20-05
November 20, 2019



OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

November 20, 2019

Honorable Mayor and Board of County Commissioners:

Pursuant to our Annual Audit Plan, we have conducted our audit of County-owned real estate managed by the Real Property Section of the Facilities Management Division.

The objective of our review was to evaluate the acquisition, nature, use, and plans for County-owned real property. We conclude that the acquisition, nature, use, and plans for County real property is appropriate. Opportunities for Improvement are included in the report.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation and assistance provided by the Real Property Section throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Monica Cepero, Deputy County Administrator
Thomas Hutka, Director Public Works
Scott Campbell, Director Facilities Management
Purvi Bhogaita, Director Real Property

Broward County Board of County Commissioners

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INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted an audit of the County-owned real estate managed by the Real Property Section of the Facilities Management Division. Our objectives were to:

1. Evaluate the acquisition, nature, use, and plans for County real property.
2. Identify any additional opportunities for improvement.

To evaluate the acquisition, nature, use, and plans for County real property, we reviewed applicable sections of Florida Statutes, Broward County Administrative Code, Broward County Ordinances, standard operating procedures, Board of County Commissioners (Board) meeting agendas, purchase/sale agreements, property appraisals, inspection reports, and other relevant documents. We interviewed management and staff, and we conducted site visits of vacant properties.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was January 1, 2017 to December 31, 2018, and our scope included all properties owned as of February 2019. Site visits were conducted during our fieldwork in April 2019. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that the acquisition, nature, use, and plans for County real property is appropriate. Opportunities for Improvement are included in the report.

Background

Real Property Section

The Real Property Section (Real Property) falls within the Facilities Management Division in the Public Works Department. Real Property functions as the County's real estate office in the:

- ❖ acquisition of fixed property, primarily land and buildings, and rights therein through purchase and lease; disposal of surplus property;
- ❖ the management of leasehold and leased fee interests;
- ❖ management of lands acquired through escheatment;
- ❖ the provision of consulting, advisory and project management services to the Board and other County agencies, including Aviation and Port Everglades upon request;
- ❖ providing relocation services on federally funded acquisition projects;
- ❖ developing suit information pertaining to eminent domain proceedings; and,
- ❖ developing economic projections on property transactions.

Real Property is also responsible for maintaining an inventory of all County interests in real property. The following subsections represent the three areas of services provided:

Asset Acquisition, Leasing, and Disposal Services

Real Property provides asset acquisition, disposal, and leasing services for the Board, the County Administrator's Office, and Broward County departments.¹ All purchases, disposals, and leases require approval by the County Administrator's Office and the Board. Professional real estate standards are applied in accordance with Florida Statutes, Broward County's Code of Ordinances, and Administrative Code.

¹ The Aviation and Port Everglades Departments manage leases on their respective properties. The sale of affordable housing through programs offered by the Housing Finance and Community Redevelopment Division are managed by that Division.

Consultant Services

Real Property acts as the County’s professional advisor for analysis, recommendations and opinions concerning real estate. Real Property develops strategic plans, goals and objectives, and provides real estate expertise about special programs and projects for the County, other municipalities, the state of Florida, and other government-related organizations.

Due Diligence Services

Real Property acts as the County’s real estate advisor in conducting adequate and professional research into and reporting of factors that could affect the use and market value of real property. Services include, but are not limited to, property appraisals, land surveys, mitigation studies, soil impact studies, engineering assessments, and environmental assessments.

County-owned Property

We obtained a data file of all County-owned property as of December 18, 2018. We filtered the data into six category types. The table below (Figure 1) outlines the number of properties within each category.

Figure 1: Broward County-owned Property, by category, as of 12/18/18.

Property Category	Number of Properties Owned
Rivers, Lakes and Submerged Lands	44
Sewage Disposal, Solid Waste, Waste Lands, Marsh and Swamps	64
Vacant Governmental, Residential, and Commercial	195
Office Buildings, Parking Lots, Municipal and Non-Municipal (Other than parks and recreation)	200
Forests, Parks and Recreational	514
Right of Ways	2,194
Total	3,211

Prepared by the Office of the County Auditor using data obtained from the Property Appraiser’s Office.

Staffing

Real Property is managed by the Director of Real Property. The Section consists of a Real Estate Officer, one Due Diligence Officer, five Property Agents, and one Information Technology Analyst. The Real Estate Officer performs supervisory functions for the Section. The Due Diligence Officer

is a certified, licensed, appraiser and provides reviews of independent appraisals as well as estimates on property values. Four of the five Property Agents are Florida licensed, Real Estate Agents responsible for negotiating acquisitions, sales, leases, and preparing title work. The other property agent is responsible for conducting title research, preparing title work, and assisting with or managing closings.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. The Systems Used to Monitor County Owned Property Needs Improvement.

Real Property does not have an independent accurate list of County properties. It relies on lists generated from the Broward County Property Appraiser database. The Property Appraiser's Office can assign the County as owner on vacant parcels and rights-of-way, but Real Property cannot readily identify changes that occur. According to management, in order to continually monitor property inventory, Real Property relies on a weekly system change report, which provides changes made to the property inventory such as newly acquired or disposed properties. This report is intended to direct staff's attention to any changes so that they can be readily assessed. However, the report does not clearly identify these changes – it is cumulative, not in date order, and includes only folio numbers without details of the type of changes that occurred. Therefore, it is difficult to review for changes that would require immediate attention.

As a result, we identified rights-of-way that appear to be improperly included on the list of County properties. Thirteen of 28 (46%) rights-of-way reviewed are located along non-county roads (roads that are owned by a municipality or the State of Florida) and fall within the jurisdiction of the respective municipality or the State of Florida. Jurisdiction determines who is responsible for maintaining the property. Given the jurisdiction and that the roads are owned by an entity other than the County, management should evaluate whether these properties should be conveyed to the appropriate municipality or State of Florida.

Without a reliable monitored change report and/or independently maintained property listing, Real Property is unable to generate an accurate listing of County properties.

We recommend management enhance their system in order to maintain an accurate list of all County owned property and to provide a proper change report to allow for timely review of properties that have been added by the Property Appraisers Office.

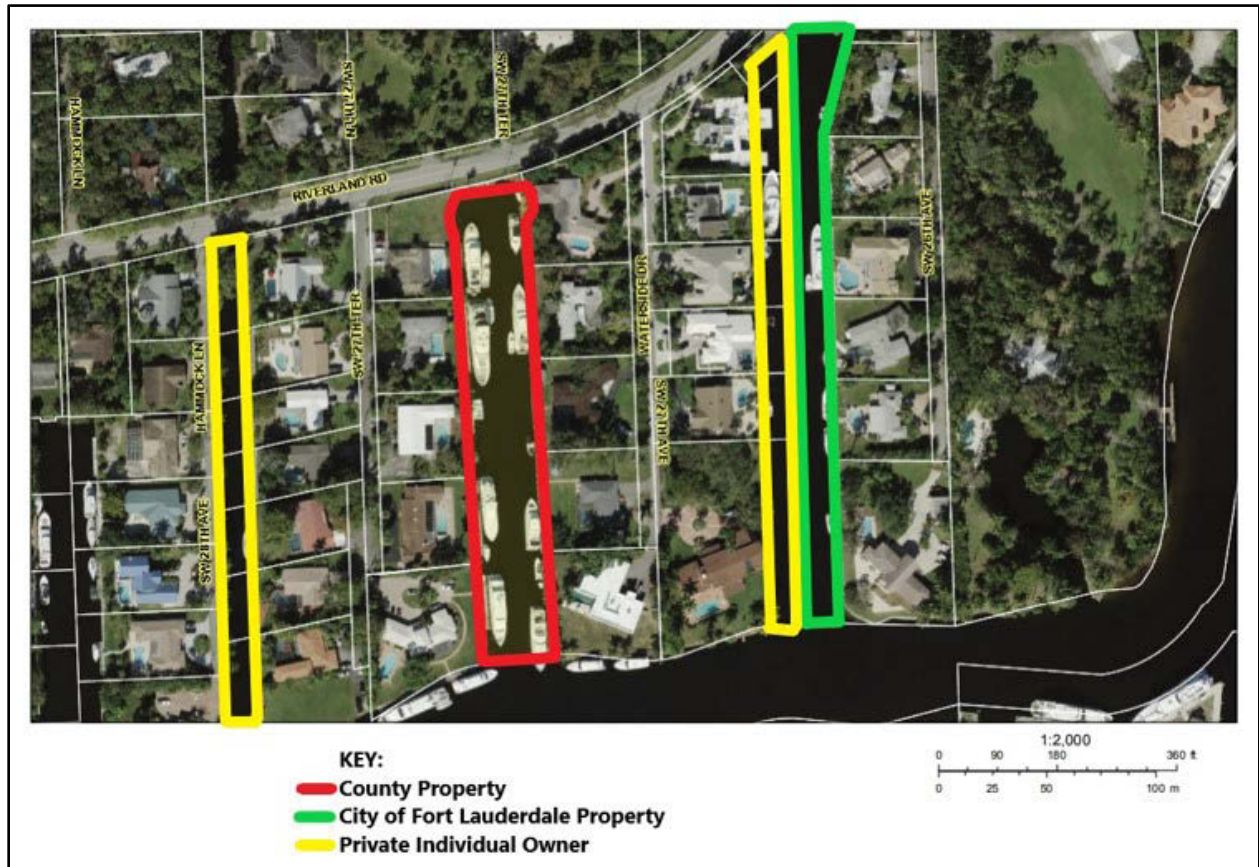
Management's Response: See pages 10 through 13

2. Business Use Should be Evaluated and Vacant Property Disposed of Timely.

We identified three properties that appear to not have a reasonable business use and have not been disposed of timely.

- Two vacant parcels out of 40 (5%) properties reviewed do not have a business use and should be disposed. These properties have been owned from approximately five to ten years. On June 4, 2019, Management presented these two properties to the Board for approval for transfer to the City of Pompano Beach.
- One of two (50%) submerged lands reviewed represents a finger canal off the New River; however, it is unclear why the County owns the canal when, as shown in Figure 2, other neighboring canals are not owned by the County. The canal to the west is owned by individual property owners along the canal and the canal to the east is partially owned by the City of Ft. Lauderdale and partially owned by individual property owners along the canal. This inconsistency in ownership of these canals brings into question if consideration should be given to conveying the property. Ownership of waterways should be evaluated to prevent unnecessary costs such as requested property improvements and potential liabilities. This property has been owned for 54 years.

Figure 2: Canals owned by Broward County, City of Ft. Lauderdale, and Individuals



Source: Broward County Property Appraiser Website, annotated by County Auditor staff.

The Broward County Administrative Code, Chapter 6, Part V, requires Real Property to maintain a detailed inventory of all real estate owned or leased including occupants and business use. Standard operating procedures also suggest the need to evaluate business use and dispose of property timely when it is determined the County no longer has a need for the property. Holding property that does not have a specific plan or appropriate business use may result in unnecessary costs and additional liabilities to the County.

According to staff, there are a substantial number of properties that require an evaluation of business use or disposal. Each property must be reviewed, and a determination made, individually, which would require additional resources.

We recommend management:

- A. Implement procedures to ensure the business use of property owned is periodically evaluated and those properties that should be recommended for disposal are done so timely.

B. Evaluate staffing levels and business needs to ensure objectives are met and functions are performed efficiently.

Management's Response: See pages 10 through 13

3. Real Property Should Provide an Annual Report of Idle and Unused Property to the Board as Required by the Broward County Administrative Code.

According to Real Property staff, a report of idle and unused property is not completed or provided to the Board. The Broward County Administrative Code, Chapter 6, Part V, requires Real Property to, "provide to the Board in June of each calendar year a report of all idle and unused properties either owned or leased by Broward County, including escheated properties and those properties which have been declared surplus by the Board."

The County owns in excess of 3,000 properties. These should be reviewed annually to identify properties no longer needed. Providing an annual report of idle and unused property helps to ensure that such properties are identified, disclosed, and timely disposed or conveyed to the appropriate jurisdiction. Identification and removal of such properties reduces costs such as oversight and maintenance, as well as general liability risks.

As shown in Opportunity for Improvement No. 2, we identified properties which have not been timely disposed or conveyed and may create unnecessary liabilities to the County. For example, two identified vacant parcels owned in excess of four years do not have a business use and should be disposed. As a result of our audit, management appropriately transferred these properties to the City of Pompano Beach. We also questioned the County's ownership of a waterway given that neighboring similar waterways are owned by other parties. Waterways inherently have a high risk of costs and liability associated with ownership. However, these identified through our review were based on sampling and a more comprehensive, routine annual assessment should be performed.

We recommend management prepare and provide an annual report of idle and unused property to the Board in accordance with the Administrative Code.

Management's Response: See pages 10 through 13

4. Standard Operating Procedures Need to be Updated.

The Real Property Handbook (Standard Operating Procedures) has not been updated since 2010 and is incomplete. The Handbook does not provide for the handling of vacant property, right of ways, or submerged lands. We also noted certain sections listed in the table of contents that are

blank within the document. These sections are titled Electronic Database Management, Real Property Administration, and an Appendix for Statutes, Codes, and Forms.

Good business practices suggest the need to maintain up-to-date standard operating procedures to ensure current policies and procedures are followed appropriately. Standard Operating Procedures serve as a reference guide to staff and help ensure consistency of operations.

We recommend management periodically review and update the Handbook to ensure it reflects current policies and procedures, including systems used and policies and procedures for the handling of vacant property, right of ways, and submerged lands.

Management's Response: See pages 10 through 13

MANAGEMENT'S RESPONSE



BERTHA W. HENRY, County Administrator

115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7362 • FAX 954-357-7360

MEMORANDUM

DATE: November 20, 2019
TO: Robert Melton, County Auditor
FROM: Bertha W. Henry, County Administrator 
SUBJECT: Response to County Auditor's Audit of County-Owned Real Estate – County Auditor's Final Report No. 20-05

The Public Works Department and Real Property Section have reviewed the Office of the County Auditor's Audit Report on County-Owned Real Estate and submits the following as Management's response.

In summary, Management acknowledges the Auditor's overall conclusion that the acquisition, nature, use, and plans for County real property is appropriate. Management accepts, in whole or in part, the Auditor's opportunities for improvement and has already taken affirmative steps to implement some of the improvements.

Enclosed below please find detailed responses to each of the Auditor's opportunities for improvement and recommendations.

Opportunity for Improvement 1: *The Systems Used to Monitor County Owned Property Needs Improvement.*

Recommendation: *Management enhance their system in order to maintain an accurate list of all County owned property and provide a proper change report to allow for timely review of properties that have been added by the Property Appraisers Office.*

Management's Response: *Partially Agree.* The current database management system was custom designed to meet the needs of the Real Property Section and was functioning as needed and expected. However, the system is dated. Prior to the audit, the Real Property Section has been in the process of shifting to AiM database management software which will have the ability to track and categorize properties based on size, use, and other criteria. The new system will also have the capability to more efficiently report new properties and changes to existing properties. Further, it is planned that the AiM asset management system will interface with the County's PeopleSoft ERP system.

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Opportunity for Improvement 2: *Business Use Should be Evaluated and Vacant Property Disposed of Timely.*

Recommendation:

A. *Implement procedures to ensure the business use of property owned is periodically evaluated and those properties that should be recommended for disposal are done so timely.*

B. *Evaluate staffing levels and business needs to ensure objectives are met and functions are performed efficiently.*

Management's Response:

A. *Partially Agree.* The County owns over 3,000 parcels, including but not limited to developed properties, vacant land, and roads. We agree that business uses need to be identified and the Real Property Section has and will continue to maintain its practice of identifying a business use and reviewing when necessary (e.g., an inquiry is made about the parcel or agency notifies Real Property that the parcel is no longer needed for that business use).

With respect to the two parcels identified in the Auditor's Report, the two parcels were previously conveyed to the City of Pompano Beach but reverted back to the County due to the City's inability to timely develop affordable housing because of the economic recession. Staff was in the process of transferring these two properties back to the City at the time the audit started. As indicated in the Auditor's Report, on June 4, 2019 (Item No. 85), Management presented and the Board approved the transfer of these two parcels to the City of Pompano Beach.

As to the canal, this property was deeded to and accepted by Broward County in 1964. The rationale as to whether the public was best served with this property owned by the City, the County, the State or a private entity has been lost to time. Staff will, nevertheless, reach out to the City of Fort Lauderdale to inquire whether they are willing to accept ownership, responsibility, maintenance and liability for the canal.

B. *Agree.* As the various elements under the Transportation Surtax program start to be implemented, Management will evaluate the staffing levels in the various impacted agencies to ensure projects are efficiently initiated and completed.

Opportunity for Improvement 3: *Real Property Should Provide an Annual Report of Idle and Unused Property to the Board as Required by the Broward County Administrative Code.*

Recommendation: *Management prepare and provide an annual report of idle and unused property to the Board in accordance with the Administrative Code.*

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Management's Response: *Agree.* The report of idle and unused property will be provided to the Board in accordance with the Administrative Code.

Opportunity for Improvement 4: *Standard Operating Procedures Need to be Updated.*

Recommendation: *Management periodically review and update the Handbook to ensure it reflects current policies and procedures, including systems used and policies and procedures for the handling of vacant property, right of ways, and submerged lands.*

Management's Response: *Agree and completed.* The standard operating procedures have been updated.

Thank you for the opportunity to respond and provide Management's comments to the Audit. If there are any addition, deletions/omissions, or other changes or modifications to Management's response, please provide us the opportunity to review prior to issuance.

Should you have any questions or require additional information, please do not hesitate to contact my office.

BH:PB

c: Mayor and Board of County Commissioners
Monica Cepero, Deputy County Administrator
Alphonso Jefferson, Jr., Assistant to the County Administrator
Thomas Hutka, Director, Public Works Department
Purvi Bhogaita, Director, Real Property Section