



**Council Auditor's Office**

**Follow-Up on Real Estate Audit**

**March 20, 2025**

**Report #832B**

**OFFICE OF THE COUNCIL AUDITOR**  
 Suite 200, St. James Building



March 20, 2025

Report #832B

Honorable Members of the City Council  
 City of Jacksonville

The purpose of this report is to document our second follow-up review of our past report #832, Real Estate Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report and follow-up report can be found on our website.

We sent a follow-up letter to the City’s Chief Administrative Officer on April 2, 2024, inquiring as to the status of the original audit report recommendations after the first follow-up report. We reviewed the recommendations from our audit report and previous follow-up report, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify the responses.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues reasonably resolved as of this follow-up is included below.

<b>Types of Issues</b>	<b>Original Number of Issues</b>	<b>Issues Cleared Prior to This Follow-up</b>	<b>Remaining Issues Prior to This Follow-up</b>	<b>Issues Cleared During This Follow-up</b>	<b>Remaining Issues</b>
Internal Control Weaknesses	0	0	0	0	0
Findings	15	9	6	3	3
Opportunities for Improvement	1	0	1	1	0
<b>Total</b>	<b>16</b>	<b>9</b>	<b>7</b>	<b>4</b>	<b>3</b>

The following is a brief summary of the remaining issues with responses from the Deputy Chief Administrative Officer on behalf of the Finance Department and the Public Works Department.

**Supplemental Finding 2 \*Accuracy Issues in the Capital Assets Inventory Database\***

In the original audit, we found several accuracy issues related to real estate properties in the capital assets inventory database maintained by the Accounting Division:

1. We were unable to find the real estate number of a large number of City-owned properties in the capital assets inventory database.
2. We noted various items in the capital assets inventory database that did not have their respective real estate number(s) listed.
3. We found properties listed in the capital assets inventory database that were no longer owned by the City.
4. We found properties with an invalid real estate number or with a real estate number that did not match the description and location of the property in the capital assets inventory.
5. We found properties listed as buildings that did not have their respective land recorded as a separate property in the capital assets inventory database.
6. We found properties misclassified as building instead of being classified as land in the capital assets inventory.

We recommended that the Accounting Division perform periodic reconciliations of its capital assets inventory against the Property Appraiser's inventory database and the inventory maintained by the Real Estate Division. Also, the Accounting Division should add all missing real estate properties, remove properties no longer owned by the City, and fix all input errors in their capital assets inventory database.

During the first follow-up testing, the Accounting Division stated that our recommendation had not been implemented yet due to significant personnel changes since the audit was completed.

During this second follow-up testing, we found the following issues remained related to real estate properties in the 1Cloud Fixed Assets module:

1. We found 198 of 1,581 capitalized land and building assets in the 1Cloud Fixed Assets module did not have their respective real estate numbers listed.
2. We found 168 City purchased properties (i.e., not tax reverted) that were missing from the capital assets inventory database during the original audit were still not included in the 1Cloud Fixed Assets module.

We continue to recommend that the Accounting Division perform periodic reconciliations of the 1Cloud Fixed Assets module against the Property Appraiser's inventory database and the inventory maintained by the Real Estate Division. We also recommend the Accounting Division add all missing real estate properties and real estate numbers.

***Accounting Division Response to the Follow-Up of Supplemental Finding 2***

Agree                       Disagree                       Partially Agree

*The Accounting Division acknowledges the ongoing issues related to real estate numbers in the 1Cloud Fixed Assets module. While progress has been made, we recognize the need for continued reconciliation efforts. Moving forward, we will implement a periodic review process to align our records with the Property Appraiser's inventory database and the Real Estate Division records. Additionally, steps will be taken to ensure all missing real estate properties and numbers are accurately recorded.*

**Supplemental Finding 3 \*Impact of Real Estate Acquisitions and Dispositions Not Properly Reflected on City Balance Sheet\***

In the original audit, we were unable to find any journal entry in the accounting system that reflected the balance sheet impact caused by the disposition or acquisition of real estate assets. We also noted that the Accounting Division’s policies and procedures relating to capital assets did not address how tax-reverted properties should be accounted for in the capital assets inventory database and ultimately the accounting system. We recommended that the Accounting Division perform periodic reconciliations of their capital assets inventory against the Property Appraiser’s inventory database and the inventory maintained by the Real Estate Division. The Accounting Division should add all missing real estate properties, remove properties no longer owned by the City, and correct all input errors in their capital assets inventory database. Furthermore, the Accounting Division should adopt and implement procedures on how to record the acquisition and disposition of tax-reverted real estate properties in the capital assets inventory database and ultimately the accounting system.

During the first follow-up testing, the Accounting Division stated that our recommendation had not been implemented yet due to significant personnel changes.

During this second follow-up testing, we were informed that a reconciliation had occurred; however, the support for the reconciliation was a listing of the issues we noted in our original audit. Therefore, we continue to recommend that a periodic reconciliation between the 1Cloud Fixed Asset module and the Property Appraiser’s inventory database and Real Estate Division inventory be completed. As it relates to the tax reverted properties, Accounting Division has determined that capitalization is not appropriate based on current Government Accounting Standards Board (GASB) statements.

***Accounting Division Response to the Follow-Up of Supplemental Finding 3***

Agree                       Disagree                       Partially Agree

*The Accounting Division agrees that accurate reporting of real estate transactions is critical. While a reconciliation has been performed, further refinements are needed. We will work toward implementing a more comprehensive periodic reconciliation process to ensure all acquisitions and dispositions are accurately reflected per the GASB in the accounting system. As stated, tax reverted properties are not capitalized.*

**Supplemental Finding 5 \*Surplus Properties Not Always Sold in a Timely Manner\***

In the original audit, we noted that it took over two years (from the date they were acquired) to sell several real estate properties. We recommended that the City attempt to dispose of any surplus real estate in a timely manner. If there are reasons that warrant delays, the reasons should be documented. Also, the Real Estate Division should verify annually with District Council Members any properties that the District Council Member has not authorized for disposition to verify that the situation has not changed.

During the first follow-up testing, we found that no surplus properties have been auctioned during the fiscal year 2021/22.

During this follow-up testing, we found that only five properties had been auctioned within the past year as of the date of our testing. All five properties had been owned by the City for several years as of the date the auction closed. During the Real Estate Division's most recent review of parcels to confirm they were all still needed, 129 were indicated as potentially not being needed as of March of 2023. The Real Estate Division indicated they will research these items further during the next review that began in November 2024, prior to proceeding with disposition. We continue to recommend that the City attempt to dispose of any surplus real estate in a timely manner.

### ***Real Estate Division Response to the Follow-Up of Supplemental Finding 5***

Agree                       Disagree                       Partially Agree

*The Public Works Real Estate Division ("PWRE") appreciates the opportunity to provide an update on the progress and results of the City's property review, as well as the next steps in the process. The following have been accomplished:*

- *High Response Rate: PWRE has received a high response rate from various city agencies and stakeholders regarding the potential surplus properties. This strong engagement has allowed for a better understanding of current needs and has helped direct resources more effectively.*
- *Circulation of Properties: A total of 2,463 properties were circulated to city agencies for review. Of those, 30 are remaining awaiting a response to.*
- *Changes in Property Status: Of the 129 properties potentially not needed as of March 2023, 5 of those have been changed to needed.*
- *Technology & City Agencies Engagement: ITD created a website identifying properties allocated to each city agency which has proven successful in generating responses.*

#### *Next Steps:*

##### *Surplus Review Process Improvement*

*To ensure the timely and efficient disposition of surplus properties, PWRE has enhanced the surplus review process. If no city department claims a need for the properties, the following steps will be followed:*

- *Confirmation of No Need from Agency: Confirm with the allocated department that the property is not needed and inquire whether they have recommendations as to which department may have a need for it. Alternatively, the property review website may be updated to ask for this recommendation once the department signifies that they no longer require the property.*
- *Property Value Review: Properties assessed at \$15,000 or more will be identified and reviewed for director-level discussions.*
- *Director-Level Discussions: Confirm with directors whether properties should be released from inventory or if there is a departmental need that has not yet been addressed. If the property is confirmed as surplus, a decision will be made on whether to circulate properties*

*in batches or to meet with directors or the Administration on the release of high-value properties.*

- *Disposition Pathways: Once surplus properties have been identified for disposition, they will be processed through the following pathways:*
  - *Circulation to agencies to determine governmental need.*
  - *Those without such a need will be reviewed against the affordable housing code criteria.*
  - *Properties meeting the criteria will be submitted to Neighborhoods/ Housing Division for review and approval for the Affordable Housing List.*
  - *Properties not needed for Affordable Housing will be reviewed for sale to abutting owners, auction, or enlisting a broker when higher-valued properties remain.*

*Public Works Real Estate remains committed to ensuring the timely and transparent disposition of surplus properties while balancing governmental and community needs.*

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We would like to thank the Real Estate Division of the Public Works Department and the Accounting Division of the Finance Department for their cooperation in conducting this follow-up review.

Respectfully submitted,

*Kim Taylor*

Kim Taylor, CPA  
Council Auditor