STATE OF FLORIDA AUDITOR GENERAL

Performance Audit

Report No. 2023-014
September 2022

DEPARTMENT OF REVENUE

Administration of the Ad Valorem Tax Program



Sherrill F. Norman, CPA
Auditor General

Executive Director of the Department of Revenue

The Department of Revenue is established by Section 20.21, Florida Statutes. The head of the Department is the Governor and Cabinet. Pursuant to Section 20.05(1)(g), Florida Statutes, the Governor and Cabinet are responsible for appointing the Executive Director of the Department. During the period of our audit, the following individuals served as Executive Director:

James Zingale	From January 29, 2019
Leon Biegalski	Through January 29, 2019

The team leader was Mark Hesoun and the audit was supervised by Samantha Perry, CPA.

Please address inquiries regarding this report to Samantha Perry, CPA, Audit Manager, by e-mail at samanthaperry@aud.state.fl.us or by telephone at (850) 412-2762.

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DEPARTMENT OF REVENUE

Administration of the Ad Valorem Tax Program

SUMMARY

This performance audit of the Department of Revenue (Department) focused on the Department's administration of the ad valorem tax program related to the 2019 and 2020 ad valorem property assessment rolls. The audit also included a follow-up on applicable findings noted in our report No. 2020-003. Our audit disclosed the following:

Ad Valorem Tax Program

Finding 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.

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

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.

Information Technology Controls

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

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.

BACKGROUND

Pursuant to State law,[1] the Department of Revenue (Department) is responsible for the general supervision of the assessment and valuation of property so that all property is placed on tax rolls and valued according to its just valuation,[2] as required by the State Constitution. The Department is also responsible for supervising the collection and administration of ad valorem taxes, including assisting county officers in the assessment and collection functions. Accordingly, the Department provides training to enhance the assessment skills of both State and local assessment personnel. State law also requires the Department to:

- Prescribe reasonable rules and regulations for the assessment and collection of taxes, which are to be followed by property appraisers, tax collectors, clerks of the circuit court, and value adjustment boards.[3]

[1] Section 195.002, Florida Statutes.

[2] The Florida Supreme Court has held that just value and fair market value are legally synonymous.

[3] Section 195.027(1), Florida Statutes.

- Promulgate rules and regulations for the exchange of information among the Department, property appraisers, tax collectors, the Auditor General, and the Office of Program Policy Analysis and Government Accountability.[4]
- Establish and promulgate standard measures of value, consistent with the standards provided by State law, to be used by property appraisers in all counties, including taxing districts, to assist in arriving at assessments of all property.[5]
- Conduct research and maintain accurate tabulations of data and conditions existing as to ad valorem taxation, annually publish such data as may be appropriate to facilitate fiscal policymaking, and annually make recommendations to the Legislature as necessary to ensure that property is valued according to its just value and is equitably taxed throughout the State.[6]
- Prepare and maintain a current instruction manual for officials connected with the administration of property taxes.[7]
- Promulgate uniform definitions for all classifications of property.[8]
- Annually determine whether counties and municipalities are assessing the real and tangible personal property within their jurisdiction in accordance with State law.[9]
- Issue a notice to any property appraiser who the Executive Director has determined has one or more classes of property listed on the assessment rolls in a manner inconsistent with the requirements of State law or is otherwise not assessing property in accordance with State law.[10]

Additionally, the Department is to review the assessment rolls of each county and conduct, at least every 2 years, an in-depth review of the real property assessment roll of each county.[11] Among other steps, Department in-depth reviews generally include ratio studies of the relationship between assessed values and market values, independent appraisals of randomly selected parcels, and analyses of assessment rolls. Indicators of market values used in ratio studies may be either sales (sales ratio study) or independent appraisals (appraisal ratio study).

The results of the in-depth reviews are to include all statistical and analytical measures computed for the real property assessment roll and independently for the following classes of real property, commonly referred to as strata, if the classes constitute 5 percent or more of the total assessed value of real property in a county on the previous tax roll:[12]

1. Residential property that consists of one primary living unit, including, but not limited to, single-family residences, condominiums, cooperatives, and mobile homes.
2. Residential property that consists of two to nine primary living units.
3. Agricultural, high-water recharge, historic property used for commercial or certain nonprofit purposes, and other use-valued property.
4. Vacant lots.

[4] Section 195.084(1), Florida Statutes.

[5] Section 195.032, Florida Statutes.

[6] Section 195.052, Florida Statutes.

[7] Section 195.062(1), Florida Statutes.

[8] Section 195.073, Florida Statutes.

[9] Section 195.101(1), Florida Statutes.

[10] Section 195.097(1)(a), Florida Statutes.

[11] Section 195.096(1) and (2), Florida Statutes.

[12] Section 195.096(3)(a), Florida Statutes.

5. Nonagricultural acreage and other undeveloped parcels.
6. Improved commercial and industrial property, including apartments with more than nine units.
7. Taxable institutional or governmental, utility, locally assessed railroad, oil, gas and mineral land, subsurface rights, and other real property.

Department standards for tax roll approval required a county's assessment for each stratum, and in total, be at least 90 percent of market value (i.e., a 90 percent level of assessment (LOA)).[13] Pursuant to State law,[14] when one or more strata of real property listed on the assessment rolls are inconsistent with the requirements of law, the Department is to issue a notice to the applicable county property appraiser describing the necessary corrections. If the corrections are not made, the Department is to disapprove the assessment roll and begin the process outlined in State law[15] for an interim assessment roll.

When a stratum of real property constitutes less than 5 percent of a county's total assessed value of all real property on the previous assessment roll, the Department may combine it with one or more other strata of real property for purposes of the in-depth review or use the weighted average of the other strata for purposes of calculating the LOA for all real property in a county.[16] When the Department's in-depth review is completed, each county property appraiser may review with Department staff each appraisal sample item utilized in the appraisal ratio study and preliminary statistical results of the Department's in-depth review. After the final review, the Department produces a Post Roll Analysis summary report of the in-depth review that is used in the tax roll approval process. The Department certifies the estimated LOA for each county and Statewide to the Commissioner of Education for use in the equalization of required local effort funding for school districts.

FINDINGS AND RECOMMENDATIONS

AD VALOREM TAX PROGRAM

Finding 1: Sample Representativeness

In conducting an in-depth review, State law[17] and the International Association of Assessing Officers (IAAO) *Standard on Ratio Studies*[18] permit a sales ratio study to be used if the sold properties used in the sales ratio study are representative of the unsold properties and there are adequate market sales. This is to ensure that samples used in the ratio studies for the property strata and substrata are valid and reasonable. The IAAO *Standard on Ratio Studies* specifies that assessing officials must incorporate a quality control program, including checks and audits of the data, to ensure that sold and unsold properties are appraised at the same level. As part of the in-depth review, the Department used the Just Value Comparison Report (JV report) to report the changes in just value between sold and unsold properties

[13] The LOA is the ratio of assessed values to market values.

[14] Section 195.097, Florida Statutes.

[15] Section 193.1145, Florida Statutes.

[16] Section 195.096(3)(a), Florida Statutes.

[17] Section 195.096(2)(c), Florida Statutes.

[18] IAAO *Standard on Ratio Studies* – Part 1, Section 4.5 (2013).

by stratum. Department procedures[19] required that, if the change in just value between sold and unsold properties was 10 percent or greater for stratum 6 (improved commercial and industrial property), and there were 30 or more sales within the stratum, the Department was to further review and analyze the change to determine whether selective reappraisal (sales chasing) was occurring.

In our report No. 2020-003 (Finding 1), we noted that the Department did not adequately ensure that ratio study samples were representative of the population. As part of our follow-up audit procedures, we reviewed Department procedures and examined the Department's JV reports for 8 of 67 counties (4 counties for 2019 and 4 counties for 2020) and found instances where Department sample sizes were below the Department's 30-sample threshold for stratum 6 because there were not enough usable sales for the stratum in the counties, and where the change in just value between sold and unsold properties exceeded the Department's threshold for representativeness. Specifically:

- For the 2020 Martin County in-depth review, the JV report noted that the Department used a sample of 26 sold properties for stratum 6. In addition, the JV report noted a 24.26 just value average percent change difference between sold and unsold properties for stratum 6, which exceeded the Department's 10 percent threshold for representativeness.
- For the 2019 Alachua County in-depth review, the JV report noted that the Department used a sample of 25 sold properties in stratum 6. In addition, the JV report included an 11.17 just value average percent change difference between sold and unsold properties for stratum 6, which exceeded the Department's 10 percent threshold for representativeness.

In these instances, because Department procedures only required further review and analysis of just value changes that exceeded the threshold for representativeness in instances where there were 30 or more sales within stratum 6, Department records did not effectively demonstrate that sales chasing did not occur and that the ratio study results were credible and reliable.

Recommendation: In accordance with the 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.

Finding 2: Appraisal Records

The Department's *Real Property Field Manual*, the IAAO *Standard on Ratio Studies,* and the Appraisal Standards Board *Uniform Standards of Professional Appraisal Practice* emphasize the importance of data completeness and accuracy and the avoidance of errors of omission and commission that could have a significant effect on the credibility of appraisal value conclusions. To determine whether Department appraisals were consistent with applicable generally accepted appraisal practices and Department policies, procedures, and guidelines, we examined records for 48 Department appraisals, including 24 for Bradford County and 8 for Indian River County (2019 in-depth review) and 8 each for Leon and Volusia counties (2020 in-depth review). Our examination disclosed that for three stratum 6 property appraisals in Volusia County, Department appraisal records did not reasonably support the value estimates for the properties. Specifically:

[19] Department Property Tax Oversight Program Procedures, *Post Roll Analysis Review of Assessment Rolls* (2020).

- Department appraisal records for a shopping center noted that the building improvement size was 65,107 square feet, while Volusia County Property Appraiser records indicated that the building size was 53,750 square feet, a 21 percent difference.
- For an appraisal of a light manufacturing property with a warehouse and office building, the appraisal did not address the difference between the office area and warehouse/manufacturing area in the improvements description or the impact of the difference on market rent. In addition, Department appraisal records noted a total building area of 63,817 square feet compared to 72,576 square feet as recorded in Volusia County Property Appraiser records, a 12 percent difference.
- Department appraisal records for another shopping center noted the building improvement size as 63,556 square feet, while Volusia County Property Appraiser records indicated that the building improvement size was 81,615 square feet, a 22 percent difference.

In the three appraisal samples, despite the noted differences in sizes, the appraiser stated that, based on several sample measurements, the county Property Appraiser's improvement area calculations or measurements appeared accurate. However, the Department's appraiser did not include in the appraisal records support for the building improvement areas used to determine the property value. In response to our audit inquiry, Department management acknowledged that they could not ascertain how the areas were calculated because the support in the appraisal reports was not sufficient (e.g., did not include independent improvement sketches).

Instances where the appraisal records do not reasonably support the value estimates for properties reduce the accuracy, reliability, and credibility of value conclusions and the corresponding statistical measures that are based on the value conclusions.

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

Finding 3: Publication of Assessment Roll Review Results

State law[20] requires that, within 120 days after receipt of a county assessment roll, or within 10 days after approval of the assessment roll, whichever is later, the Department complete the in-depth review and publish the Department's findings. As part of our audit, we assessed whether for the 2019 and 2020 in-depth reviews the Department timely published the review findings on the Department Web site. Although we requested, the Department was unable to provide documentation evidencing the publication date of its 2019 in-depth review findings on the Department's Web site. In addition, the Department's findings for the 2020 in-depth review were added to the Web site on May 24, 2021, subsequent to audit inquiry and approximately 7 months after the Department's findings were required to be published.

According to Department management, the publication date for the 2019 findings was not documented and the 2020 findings were not timely published due to insufficient record keeping controls and management oversight. Timely publishing Department assessment roll review findings demonstrates compliance with State law and provides the public and users of the published results timely access to the in-depth review results.

[20] Section 195.096(2)(f), Florida Statutes.

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.

INFORMATION TECHNOLOGY CONTROLS

Finding 4: IT Access Privilege Controls

State law[21] requires State agencies to establish cybersecurity controls to ensure the security of agency data, information, and information technology (IT) resources. Additionally, Department of Management Services (DMS) rules[22] establish minimum cybersecurity standards for ensuring the confidentiality, integrity, and availability of State agency data, information, and IT resources.

DMS rules[23] require State agencies to periodically review user access privileges for appropriateness and ensure that IT access privileges are removed when access to an IT resource is no longer required. Prompt action to remove access privileges is necessary to help prevent misuse of the access privileges. According to the State of Florida *General Records Schedule GS1-SL for State and Local Government Agencies* (General Records Schedule), access control records for employees, contractors, or subscribers must be retained for 1 year after superseded or access rights are disabled.

The Department uses the Property Tax Oversight (PTO) Oracle application to aid in its property assessment and valuation oversight responsibilities. Users access the PTO Oracle application by logging into the Department network. Department management assigned PTO Oracle application users to user groups that specified the type of access granted. According to Department records, as of September 7, 2021, 81 PTO and Information Services Program employees had access to the PTO Oracle application.

As part of our audit, we evaluated Department PTO Oracle application and network access controls, reviewed Department procedures, and examined Department records to determine whether user access privileges were periodically reviewed for appropriateness and timely disabled upon an employee's separation from Department employment. Our audit procedures found that, due to system limitations, the Department could only provide system-generated access control records evidencing the date that user access rights to the network were disabled for the most recent 6-month period. In addition, Department procedures did not require, and the Department could not provide documentation evidencing, the conduct of periodic reviews of PTO Oracle application user access privileges.

Absent the appropriate retention of system-generated network access control records, the risk is increased that the Department may not have sufficient documentation to assist in future investigations of security incidents, should they occur. In addition, periodic documented reviews of IT user access privileges would provide Department management assurance and serve to demonstrate that PTO Oracle application user access privileges are authorized and remain appropriate.

[21] Section 282.318(4), Florida Statutes.

[22] DMS Rules, Chapter 60GG-2, Florida Administrative Code.

[23] DMS Rules 60GG-2.003(1)(a)6. and 8., Florida Administrative Code.

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.

Finding 5: Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain security controls related to PTO Oracle database and Department network user authentication need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Department data and related IT resources. However, we have notified appropriate Department management of the specific issues.

Without appropriate security controls related to PTO Oracle database and Department network user authentication, the risk is increased that the confidentiality, integrity, and availability of Department data and related IT resources may be compromised.

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.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings included in our report No. 2020-003.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts performance audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this performance audit from August 2020 through March 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.

This performance audit of the Department of Revenue (Department) focused on the Department's administration of the ad valorem tax program related to the 2019 and 2020 ad valorem property assessment rolls. The objectives of the audit were to:

- Evaluate management's performance in administering the ad valorem tax laws as described in Section 195.096, Florida Statutes, for the 2019 and 2020 ad valorem property assessment rolls.

- Evaluate:
  - The effectiveness of controls designed and placed in operation by management to promote and encourage the economy, efficiency, and effectiveness of the ad valorem tax program;
  - The structure or design of the program to accomplish its goals and objectives;
  - The adequacy of the program to meet the needs identified by the Legislature;
  - Alternative methods of providing program services or products;
  - The goals, objectives, and performance measures used to monitor and report program accomplishments;
  - The accuracy or adequacy of public documents, reports, or requests prepared under the program; and
  - Compliance of the program with applicable laws, rules, policies, and other guidelines.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all applicable deficiencies noted in our report No. 2020-003.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives; instances of noncompliance with applicable governing laws, rules, or contracts; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of Department in-depth reviews and related property tax oversight processes.
- Obtained an understanding of selected Department information technology (IT) controls, assessed the risks related to those controls, evaluated whether selected general and application IT controls for the Property Tax Oversight Oracle application and database were in place, and tested the effectiveness of the selected controls.
- Examined the statistical and analytical measures computed by the Department in approving the 2019 real property assessment rolls for 2 selected counties (Bradford and Indian River counties) and the 2020 real property assessment rolls for 2 selected counties (Leon and Volusia counties), and all 67 counties for some measures, to determine whether Department-verified county tax rolls complied with applicable laws, rules, policies, and industry standards.
- Examined whether sample sizes for strata (property classifications) and substrata (property sub-classifications) within the strata were sufficiently representative of the population to enable meaningful statistical analyses of the Department's in-depth review of 34 of 67 counties in 2019 and 33 of 67 counties in 2020.
- From the population of 34 and 33 counties selected for in-depth review by the Department for the 2019 and 2020 ad valorem tax rolls, respectively, selected and examined Department records for Bradford and Indian River counties for 2019 and Leon and Volusia counties for 2020 that included 42 Department-made sale qualification changes to determine whether sale qualification samples were adequately supported and whether Department-made sale qualification changes were based on sufficient, credible evidence from the county.
- Analyzed Department records for all 67 counties to determine whether at least 90 percent of the sampled sale qualification decisions by the Department matched the county decisions.
- From the population of 168 completed appraisals associated with the 4 counties included in our audit (Bradford and Indian River counties for 2019 and Leon and Volusia counties for 2020) selected and examined records for 48 appraisals to determine whether the required number of appraisals were sampled by the Department for each county and whether the appraisals appeared complete and accurate.
- Analyzed Department records for all 67 counties to determine whether the levels of assessment required by Department standards were met for both 2019 and 2020.
- From the population of 34 counties in 2019 and 33 counties in 2020 selected for in-depth review by the Department, examined Department records for the 15 appraisals with code 4 changes (a value change made by the Department to a sample parcel based on additional parcel-specific or appraisal information provided by the county) to determine whether the changes were supported and appropriately processed and recorded.
- Reviewed Department records for the 2019 and 2020 ad valorem assessment roll reviews to determine whether the Department completed the assessment ratio studies in accordance with Section 195.096, Florida Statutes.
- Reviewed Department records for the 2019 and 2020 ad valorem assessment roll reviews and approvals to determine whether the assessment roll reviews were timely completed and appropriately supported.
- Evaluated Department actions to correct the applicable findings noted in our report No. 2020-003. Specifically, we inquired of Department personnel, reviewed Department procedures, and selected and examined Department records to determine whether the Department:

- Ensured that ratio study samples for selected counties, strata, and substrata studied by the Department for the 2020 assessment rolls were representative of the population.
- Revised the method of sub-stratifying studied strata into value group subclassifications for the 2020 assessment rolls to improve the representativeness of ratio study samples.
- Documented the basis for changes in the assessed railroad property value that was agreed upon at informal conferences held in May 2020 regarding central assessments.
- Conducted the sale qualification study related to the 2020 assessment rolls for two selected counties (Leon and Volusia) in accordance with Department procedures.
- Updated the property tax administration manual in accordance with State law.

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Pursuant to the provisions of Section 11.45(2)(h), Florida Statutes, I have directed that this report be prepared to present the results of our performance audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Florida Department of Revenue
Office of the Executive Director

Jim Zingale
Executive Director

5050 West Tennessee Street, Tallahassee, FL 32399

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August 26, 2022

Ms. Sherrill F. Norman, CPA
Auditor General
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

As required by section 11.45(4)(d), Florida Statutes, attached is the Department's response to the preliminary and tentative findings and recommendations included in your report for the audit of the Department of Revenue Operational Audit: Administration of the Ad Valorem Tax Program.

We appreciate the professionalism displayed by your audit staff. If further information is needed, please contact Christy Temples, Director of Auditing, at (850)717-7135 or chrystal.temples@floridarevenue.com.

Sincerely,

Jim Zingale

JZ/ct

Attachment

cc: Samantha Perry, Audit Manager
Andrea Moreland, Deputy Executive Director
Clark Rogers, Chief of Staff
Rene Lewis, Program Director
Angie Welch, Inspector General

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.