

**NEIGHBORHOOD AND COMMUNITY AFFAIRS
NEIGHBORHOOD ENHANCEMENT DIVISION
FORECLOSURE REGISTRY
AUDIT 21-02
DECEMBER 8, 2020**



CITY OF TAMPA

Jane Castor, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

December 8, 2020

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Foreclosure Registry, Audit 21-02

Dear Mayor Castor:

Attached is the Internal Audit Department's report on the Foreclosure Registry program.

The Neighborhood Enhancement Division has already taken positive actions in response to our recommendations. We thank the management and staff for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Ocea Wynn, Administrator of Neighborhood & Community Affairs
Dennis Rogero, Chief Financial Officer
Keith O'Connor, Neighborhood Enhancement Manager
Joe Papy, Business Tax Supervisor

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/s/ Vivian Walker

Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

The City of Tampa established an ordinance to "limit and reduce the deterioration of property located within the City of Tampa, which property is in foreclosure, or where ownership has been transferred to lender or mortgagee by any legal method." This was accomplished by establishing a "registration program" to avoid neighborhoods from becoming blighted due to unkept vacated properties.

The Business Tax section of Neighborhood Enhancement is responsible for registering properties. Information is obtained primarily by a property owner submitting a registration form through the City of Tampa's Customer Service Center; however, the Neighborhood Enhancement Inspectors also identify properties that should be registered and contact the property owner, resulting in a registration of the property.

Since the inception of the program, registrations are declining as the economy has improved. As a result, the related income is also decreasing as properties are de-registered due to occupancy of the property or the property being sold.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY 2021 Audit Agenda. The objectives were to ensure that:

1. The system of internal controls related to the segregation of duties in property de-registration and in the calculation and payment of foreclosure registry fees is adequate.
2. The Business Tax section is complying with the requirements of the foreclosure registry program as described in Division 8 of the City of Tampa's municipal code (Code).
3. Proper documentation is provided prior to a property being de-registered by Business Tax.

STATEMENT OF SCOPE

The audit period covered foreclosure registry activity that occurred from December 2019 through August 2020. Tests were performed to determine whether Neighborhood Enhancement Division personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

In November 2019, Accela replaced the mainframe as the system used to administer the foreclosure registry program. Data generated through Accela's Business Tax module for foreclosure activity was reviewed and deemed reliable. Additionally, internal controls related to the segregation of duties for receiving a request to de-register a property and processing that transaction were reviewed.

In order to determine compliance with the requirements of the foreclosure registry program, the following steps were performed:

- Reviewed documentation maintained in Accela for sampled foreclosure registrations.
- Reviewed documentation on the Hillsborough County Property Appraiser and Clerk of Courts' websites to support status of property.
- Reviewed documentation in Accela for inspections of foreclosed properties.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit 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.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls related to the segregation of duties when properties are de-registered needs improvement. However, the system of internal controls related to the segregation of duties between the calculation and payment of foreclosure registry fees is adequate.
2. The Business Tax section is complying with the requirements of the foreclosure registry program as described in Division 8 of the Code. However, the Neighborhood Enhancement section that performs inspections as required by the Code does not always comply.
3. Proper documentation is not always provided prior to a property being de-registered by Business Tax.

FORECLOSURE REGISTRY INSPECTIONS

STATEMENT OF CONDITION: The City of Tampa has implemented a program known as the Foreclosure Registry. The Neighborhood Enhancement Division of Neighborhood and Community Affairs administers the program. Registrations are processed by the Business Tax Section and subsequent inspections are performed by Neighborhood Enhancement Inspectors. A sample of 24 requests to register properties between December 2019 and August 2020 was selected to review for compliance with the Code requirements. There was one request received that did not provide adequate documentation to determine the property address to be registered. For the remaining 23 addresses, the following documentation was not available to review:

- Eleven requests did not have documentation to support that the property was properly supported with the information required in the Code. Specifically, there were no comments or picture to indicate the signage was posted on the property.
- Ten requests did not have a record created in the Enforcement Staff module of Accela that would generate an inspection.

CRITERIA: Code section 19-137 - Security requirements state that there is to be a posting on the property of "the name and twenty-four-hour contact telephone number of the local property manager." The Code also establishes the placement of the signage. Code section (f) provides that a violation is subject to enforcement.

The internal operating procedures titled Foreclosure Registry Inspection provides guidance on how the record is located in the Accela system in order to perform an inspection.

CAUSE: Based on a discussion with the administrative assistant for Neighborhood and Community Affairs and a business tax inspector, it was determined that the Neighborhood Enhancement support function had not been creating a record in Accela, which is the trigger for inspection tasks. Records were not always being created based on who was recorded as the owner of the property at the time the address was researched by the office support specialist using the Hillsborough County Property Appraiser's website. Additionally, it was determined that the inspectors had not been specifically instructed to capture support of compliance for the posting of the signage requirement.

EFFECT OF CONDITION: Improperly documented inspections could result in violations not being observed and cited, possibly resulting in hazardous conditions to the public.

RECOMMENDATION 1: Management should provide specific guidance to the Neighborhood Enhancement inspectors on the requirements of the Code and the best method to document compliance.

MANAGEMENT RESPONSE: CONCUR: The Neighborhood Enhancement Division Operating Procedures will be modified to provide instructions verifying the compliance for the posting of the signage requirement, section 19-137.

Additionally, the Neighborhood Enhancement Division Administrative SOP will be modified to instruct administrative staff to create a Bank Owned Foreclosure (BOF) case in Accela regardless if the property was conveyed to the bank/lender.

TARGET IMPLEMENTATION DATE: Implemented as of November 1, 2020.

VOID TRANSACTIONS

STATEMENT OF CONDITION: Registration of foreclosed properties is no longer required if one of the following occurs:

- Transfer from the mortgagee to a third party - person, corporation, or land trust. This excludes transfer via quit claim, to another bank, short sales, or deed in lieu transactions.
- Occupancy of the property through legal means.

A de-registration request is to be submitted to the Business Tax Section, which includes documentation to support one of the above criteria has occurred. Note: the Business Tax Section performs a proactive review to identify properties that may need to be de-registered and if the criteria are met, a void is processed in order to de-register the property. A sample review of 24 properties that had a transaction type of "Void" was reviewed for compliance with the above requirements. This review identified the following missing information:

- Fourteen properties did not have the source of the request.
- Six properties were de-registered based on the internal process; however, there were no comments on the record to identify this as the source.

Also, the review of the de-registering process in the planning phase of the audit disclosed that processing a void transaction results in no future fees being assessed on the property. Currently, the Customer Service Representative (CSR) primarily processes void transactions, which are captured in a report received by the Business Tax Supervisor (BTS). However, the BTS is the back-up support for the CSR and any void transactions initiated/processed by the BTS is not subsequently reported or reviewed by anyone.

CRITERIA: Code Section 19-135 (j) stipulates the methods for de-registering a property. Additionally, the internal procedure titled "Foreclosure Registration and De Registration Procedures" implies that an external source is the requestor. Specifically, items one and two of the De-registration section says "De-registration requests" and "De registrations will be confirmed back to the requestor," respectively.

Internal controls require both proper segregation of duties and oversight.

CAUSE: Based on the discussion with the BTS, the requests history was lost in the conversion of the foreclosure registry records from the mainframe to Accela. Additionally, back-up responsibilities are infrequent, which is why there was no effort to have someone review the BTS transactions.

EFFECT OF CONDITION: Potential for lost income because void transactions eliminate the annual fee that is assessed on registered properties.

RECOMMENDATION 2: Management should enhance the de-registration process by including the internal process and adding comments that indicate the source in the Accela Business Tax module record. Additionally, to facilitate research, all documentation received to de-register a property should be retained in a central location.

Additionally, to enhance the internal control process for de-registering a property, all void transactions should be reviewed by a supervisory level employee and the review should be documented.

MANAGEMENT RESPONSE: CONCUR. The Business Tax Division Standard Operating Procedures have been modified to incorporate adding comments that indicate the source data and including copies of internal/external documentation that are not already found in Official Records, i.e. Clerk of Circuit Court, Property Appraiser, CAYENTA.

VOID transactions conducted by the Customer Service Representative will continue to be reviewed by the Business Tax Division Supervisor and VOID transactions conducted by the Business Tax Division Supervisor will be reviewed by the Accounting Technician Supervisor – Neighborhood Enhancement and any irregularities will be reported to the Manager, Neighborhood Enhancement.

TARGET IMPLEMENTATION DATE: Implemented as of November 1, 2020.