



THE HONORABLE
GWEN MARSHALL

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
CLERK OF COURTS • COUNTY COMPTROLLER • AUDITOR • TREASURER • RECORDER

DIVISION OF INTERNAL AUDITING

Audit No. 23A-01
Tax Deeds Process

May 17, 2024

EXECUTIVE SUMMARY

What We Did

The Division of Internal Auditing (IA), in accordance with Fiscal Year (FY) 2022-2023 Annual Audit Plan, evaluated the Tax Deeds Process. The objectives of this engagement were to determine whether updated policies and procedures exist to ensure Tax Deeds Auction operations are conducted efficiently within an effective control framework, compliance with regulatory requirements, and Tax Deeds Auction collections are accurately accounted for, properly redistributed, timely reconciled, and any surplus disbursed to its rightful owner.

We selected Tax Deeds Sales auctioned from October 1, 2019, through September 30, 2022, to review governance, risk management, and internal controls. The evaluation included:

- Familiarizing regulatory requirements¹ and best practices.
- Reviewing policies and procedures to assess the design of the internal controls framework.
- Interviewing process owners to assess familiarity with regulations.
- Reviewing relevant information systems to evaluate:
 - access controls.
 - interfaces with the organization’s accounting system, Banner.
 - ability to record, track, and reconcile bidders’ balances.
 - adequate segregation of duties and appropriate assignment of roles.
- Testing account balances, distributions, accounting, reporting, and review and approval processes.

What We Found

During the engagement, we identified:

Policies and Procedures

- Policies and Procedures have not been revised for over eight years. They prescribe and reference outdated processes and Statutes. The Clerk of the Circuit Court and Comptroller Office’s in Leon County, Florida, (Clerk’s Office) website includes Tax Deeds Auction pages containing outdated processes and references.
- The Tax Deeds Coordinator’s position lacks a clear reporting structure to monitor regulatory compliance and maintain adequate segregation of duties in structure procedures.

¹ Chapter 197, Florida Statutes (F.S.); Chapter 12D-13, Florida Administrative Code; and Florida Court Clerks and Comptrollers Best Practice, “*Tax Deeds – Sales & Surplus Checklist.*”

Banned Bidders' Accounts

- Lack of adequate oversight of banned bidders' accounts. These accounts:
 - are not monitored to enforce restriction of banned bidders' participation during the 12-month ban.
 - are not restricted to one account per user. We identified one user with three accounts.
 - are not always reinstated once the banned period expires.
 - do not always contain underlying documentation to justify the ban. We identified two unsubstantiated banned accounts.
 - are not periodically reviewed to ensure bidders' initial five percent deposits are transferred to the Clerk's accounts, as stated in Statute.

List of Lands Available for Sale

- Lack of a process to track updates to the list. There is no audit trail of changes to the list.
- Inadequate segregation of duties; unsold properties are added/removed to/from the list by one employee without management review and approval.
- Unaccountability over unsold properties; historical data for the list is not maintained; therefore, unsold properties could not be traced to the List of Lands Available for sale.
- Lack of statutory compliance in the process.
 - The Clerk's Office does not communicate to County Commission² when unsold properties are added to the list, as required by Statute.
 - There are no controls to ensure properties added to the list are available only to county commission during the first 90 days, as required by Statute.
- Inaccurate accounting information. We identified 96 unsold properties escheated³ to the county and not recognized in the county's accounting records.

Statutory and Internal Compliance

- Lack of an effective process to notify the Tax Collector's Office when certificate holders fail to pay, or timely pay required selling costs.
- The Tax Deeds Process is not compliant with statutory requirements when properties are added to the List of Land Available for Sale. The Board of County Commissioners is not immediately notified after properties are added to the list, as required by Statute.
- There is no control in place to ensure properties are only available to the Board of County Commissioners during the first 90 days after unsold properties are added to the list as required by Statute.
- Not all properties were included in the very next auction. Of the 17 properties audited, 14 were auctioned over 90 days after payment was received.
- Bidders' deposit balances are not periodically reviewed to refund bidders not planning on participating in future auctions, resulting in an ever-increasing liability balance. If management considers it administratively advantageous, setting a timeframe to review bidders' balances and return funds for accounts not used during a predetermined period would be beneficial.

² "County Commission" or "County" refers to the Leon County Board of County Commissioners.

³ Escheat refers to that which automatically becomes the property of the County.



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What We Recommend

These are the summarized recommendations. Refer to the observations in the report for additional details.

Policies and Procedures

The Clerk's Office will benefit from enhancing control activities to review policies and procedures periodically to ensure processes and the Clerk's website are updated timely. The Clerk's Office will also benefit from reestablishing a clear reporting structure associated with the Tax Deeds Process. This would foster quality controls and adequate segregation of duties.

Banned Bidders' Accounts

The Clerk's Office will benefit from the implementation of procedures, monitoring controls, and review and approval processes to promote statutory compliance and adequate segregation of duties.

List of Lands Available for Sale

The Clerk's Office will minimize the risk of fraud, human errors, statutory noncompliance, financial risk, and inadequate segregation of duties by implementing controls to ensure unsold properties are reviewed, approved, and properly tracked before and after properties are added/removed to/from the List of Lands Available for Sale. Additionally, the Clerk's Office will benefit from implementing controls to ensure accurate accounting treatment of escheated properties and open communication with pertinent offices for corresponding write-offs.

Statutory and Internal Compliance

The Clerk's Office will benefit from incorporating a periodic review of reports listing instances of non-payment and payments received outside the mandated 30-day period to ensure decisions remain compliant with statutory requirements; implementing a process to communicate and document communication to the Board of County Commissioners informing when properties are added to the List of Lands Available for Sale (List); implementing a control and enforcing it with a monitoring control to ensure properties are only available to the Board of County Commissioners during the first 90 days of placement on the List; implementing processes to ensure properties are included in the very next auction after payment is received; and, if management considers it administratively advantageous, setting a timeframe to review bidders' balances and return funds for accounts not used during a predetermined period.

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BACKGROUND AND INTRODUCTION

Property taxes are due each year on November 1, and become delinquent on April 1, following the year of assessment or immediately after 60 days have expired from the mailing of the original tax notice, whichever is later.⁴ Tax Deeds Auctions are public sales of properties deemed delinquent due to unpaid taxes and serve to recover unpaid property taxes. This process is regulated by Florida Statutes and administered, through different stages, by the Property Appraiser's, Tax Collector's, and Clerk's Offices. The Property Appraiser prepares and delivers the Ad Valorem Tax Rolls to the Tax Collector's Office for collection of property taxes. The Tax Collector's Office holds a public auction of tax certificates for unpaid property taxes. Winners of the tax certificate (tax certificate holders) earn interest and may, after 2 years have elapsed since the issuance of the tax certificate, file with the Clerk's Office for a tax deed. The Tax Deeds Coordinator (a Clerk's Office deputy) administers public Tax Deeds Auctions.

The Clerk's Office utilizes Real Tax Deed and Real TDM⁵ systems to facilitate Tax Deeds Auctions. The process has three phases:

Pre-Auction phase - At the Clerk's Office, the *pre-auction* phase begins with the Tax Collector's Office notifying the Tax Deeds Coordinator of Tax Deeds applications received from certificate holders. The Tax Deeds Coordinator invoices certificate holders a \$750 selling fee. Notices of *Tax Deeds Sales* are issued to parties with a financial interest on the properties to be auctioned, at least 20 days prior to the sale. Participating bidders are required to deposit \$200 or 5% of the open bid amount prior to the auction, whichever is greater. Bidders' initial deposits are recorded in the Real Tax Deeds system (5% prior to the auction and the remaining 95% is required from winning bidders no later than 24 hours after the auction).

Auction phase - Auctions are held on the Real Tax Deed system. Once an auction date is scheduled, it is entered into the system to inform the public. The system allows bidders' participation upon detection of the initial deposit. Otherwise, the system withdraws non-compliant bidders automatically. During the auction, the system acknowledges winning bidders one-minute after the time the last highest bid is submitted. On average, the Clerk's Office holds 6 to 8 annual auctions. From October 1, 2019, through September 30, 2022, the Clerk's Office sold 142 properties for \$3,899,635 from 20 auctions held.

Post-Auction phase - The *post auction phase* starts with ensuring that winning bidders comply with their financial obligations. Florida Statutes allow winning bidders 24 hours after Tax Deeds Sales to deposit the remaining 95% of the bid of auctioned properties. Non-compliant bidders forfeit auctioned properties and the 5% deposit as "the clerk may refuse to recognize the bid of any person who has previously bid and refused, for any reason, to honor such bid."⁶ The Clerk's Office bans non-compliant bidders from bidding at Tax Deeds Auctions for 12 months from the time they default on their bid.

⁴ Section 197.333, F.S.

⁵ Tax Deeds Module

⁶ Section 197.542(2), F.S.

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Compliant bidders submit the remaining 95% of the open bid within 24 hours as required. The bidding process, including receipt of the initial deposit and remaining balance, is first recorded in the Real Tax Deed system. Once the tax deed is filed at the Clerk's Office, the collected funds are transferred to Real TDM to allocate and disburse funds in the form of taxes, penalties, and filing fees to the Tax Collector's, Sheriff's, and Clerk's Office. After distributing funds to the forementioned constitutional offices, the remaining balances are deemed surplus and mailed to property owners. Unclaimed surplus funds over 365 days are transferred to the Department of Financial Services as unclaimed property.

Properties are readvertised if not sold during the first auction. Unsold properties, after the second auction, are transferred to a List of Lands Available for Sale after 30 days. State law⁷ requires the Clerk's Office to inform the Board of County Commissioners immediately after properties are added to the list as the County has priority to purchase these properties within the first 90 days, or it can wave this right. After the 90 days elapse, other government agencies and the public may purchase properties from the list. Unsold properties may remain on the list for three years. Once this time expires, ownership of these properties is escheated to the County.

Audit Objective(s)

The following objectives were developed to evaluate the existence, design, and operating effectiveness of internal controls over the described risks. We determined whether:

- Updated policies and procedures exist to ensure Tax Deeds Auction operations are conducted efficiently within an effective control framework.
- Tax Deeds Auction processes comply with applicable Florida Statutes, rules, and regulations.
- Tax Deeds Auction collections (bidder deposits, auction proceeds, disbursements, fees, surplus funds, etc.) are accurately accounted for, properly redistributed, timely reconciled, and any surplus is disbursed to its rightful owner.

⁷ Section 197.502(7), F.S.

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Observation 1 – Outdated Policies and Procedures

Issue: Management of the Tax Deeds Process lacks an effective monitoring component to ensure policies are reviewed and updated periodically. Further, the Tax Deeds Process lacks a clear reporting structure, which results in confusion and ambiguity around roles and responsibilities, exposing the process to ineffective oversight and inadequate segregation of duties.

Condition:

We reviewed policies and procedures and the organizational structure associated with the Tax Deeds Process and noted:

1. Policies and Procedures:
 - Reference an outdated manual process and an Access database which is no longer used.
 - Were last updated:
 - *Tax Deed Operating Procedures (OP) – October 1, 2011*⁸
 - *Tax Deed Redemption – January 1, 2014*⁹
 - *Tax Deed Monthly Report Procedures – February 19, 2015*¹⁰
 - Are described in the Tax Deeds section of the Clerk’s Office website. However, the narrated process contains inconsistent and outdated statutory references.
2. The Tax Deeds Coordinator’s position lacks a clear reporting structure, resulting in:
 - Limited supervisory oversight.
 - Inadequate segregation of duties.

Criteria:

1. Per Principle 12 of the COSO¹¹ Internal Control Framework, states an organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
2. Chapter 197, F.S., outlines the requirements for tax deed sales.
3. The Florida Court Clerks and Comptrollers (FCCC) offers a Tax Deeds best practice document, which outlines mandatory elements for tax deed sales and surplus.

Cause:

1. Management has not fully developed an internal control monitoring component to ensure policies are reviewed and updated periodically.
2. New administration, coupled with turnover, led management to an organizational restructuring of the Finance Department where the Tax Deeds Coordinator’s position resided. Previously, some duties associated with this position were performed and/or reviewed/approved by an accountant. Since 2020, Tax Deeds related processes are performed solely by the Tax Deeds Coordinator.

⁸ Leon County Clerk of Courts OP 5.5, *Tax Deeds Procedures*, effective October 1, 2011.

⁹ Leon County Clerk of Courts OP 4.9, *Tax Deeds Redemption by Front Desk Receptionist*, effective January 1, 2014.

¹⁰ Leon County Clerk of Courts OP 1.5, *Tax Deeds Monthly Report*, effective February 19, 2015.

¹¹ Committee of Sponsoring Organizations of the Treadway Commission Internal Control Framework.

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Effect:

1. Outdated policies and procedures lead to uncertainty in roles and responsibilities. This situation increases the risk of regulatory non-compliance. Additionally, inaccurate information on the Tax Deeds section of the Clerk's Office website may mislead the public to erroneous decisions.
2. Unsupervised processes may result in undetected errors and unauthorized decisions.

Recommendation:

To foster effective oversight of the Tax Deeds Process, we recommend management:

1. Update policies and procedures (utilizing IA's-provided spreadsheets detailing areas of opportunity for improving policies and procedures, and the Clerk's Office website) describing the current Tax Deeds Process, including:
 - Compliance requirements (mandatory timeframes) stated in Florida Statutes.
 - Procedures performed by the Tax Deed Coordinator and when appropriate, their supervisor.
 - Systems used during the process (Real Tax Deed and Real TDM).
 - Reconciliations performed and reviewed.
2. Update the Tax Deeds section of the Clerk's Office website to ensure the public is provided with accurate information.
3. Establish a clear reporting structure that outlines the roles and responsibilities of each position in the Tax Deeds Process. This may be accomplished by developing and implementing a process for the Finance Department to provide oversight of the Tax Deeds Process to ensure adequate segregation of duties and proper review and approval processes.

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Observation 2 – Banned Bidders

Issue: The Clerk’s Office lacks sufficient monitoring controls over banned auction bidders, which creates a risk of noncompliance and financial loss.

Condition:

We requested a report of banned bidders and determined the following:

1. A “Banned Bidders Report” is not maintained. A report containing 14 deactivated users (from the Real Tax Deed system), including terminated employees, was provided instead.
2. Banned bidders are not tracked to:
 - Ensure non-compliant bidders’ accounts are banned no later than 24 hours after submitting the winning bid in the auction. We identified five accounts banned 1-2 days after the auction.
 - Ensure they do not participate in auctions during the banned period.
 - Ensure accounts are limited to one account for each user. We identified one bidder with three accounts.
 - Ensure the 12-month suspension is removed once the ban expires. We identified two accounts banned for over 12 months.
 - Ensure that documentation is maintained to support the ban. We noted two banned bidders for which reasons for the ban could not be substantiated with documentation.
 - Ensure the Clerk’s Office retains the initial deposit (5%) entitled from the ban. We noted 5 instances of banned bidders whose initial deposits, totaling \$5,165, were not transferred to the Clerk’s bank accounts.

Criteria:

1. COSO Internal Control Framework includes a “Control Activities” component which involves implementing policies and procedures to ensure management directives, such as documentation, review, and approval process, are carried out.
2. State law¹² requires a bidder to set up an account in the Real Tax Deed system and deposit \$200 or 5% whichever is greater of the open bid amount prior to participating in an auction. [If] full payment of the final bid and of documentary stamp tax and recording fees is not made within 24 hours, excluding weekends and legal holidays, the clerk shall cancel all bids, readvertise the sale as provided in this section, and pay all costs of the sale from the deposit. The clerk may refuse to recognize the bid of any person who has previously bid and refused, for any reason, to honor such bid.

Cause:

There is a lack of adequate policies and procedures defining review and approvals of bidders’ accounts before they are banned.

¹² Section 197.542(2), F.S.

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Effect:

Increased risk that:

- Winning bidders who fail to pay the remaining 95% will not be banned.
- Banned bidders may not be prevented from participating in future auctions during the designated time of the ban.
- Banned bidders' accounts may not be reinstated once the ban expires.
- Sufficient documentation may not be retained to support the reasons for banning bidders.
- Banned bidders' initial deposits may not be retained by the Clerk's Office.

Recommendation:

To establish effective policies and procedures for managing banned bidders, and to reduce the risk of financial loss and noncompliance, we recommend management develop and implement a process to ensure:

- A comprehensive report of banned bidders is maintained, reviewed, and updated periodically, and the report includes the name and contact information of each banned bidder, the reasons for the ban, and the duration of the ban.
- Banded bidders do not participate in future auctions during the designated time of the ban, and the reinstatement after the ban expires, and one account per user.
- Sufficient documentation is maintained to support the reasons for banning bidders, including the details of the incident that led to the ban and any relevant communication with the banned bidder.
- The Clerk's Office retains the initial deposit (5%) entitled from the ban.

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Observation 3 – List of Lands Available for Sale

Issue: There is a lack of controls over the administration of the List of Lands Available for Sale. There is no formal review and approval process to add and/or remove properties from the list and no formal recognition of the properties escheated to the County. This may lead to inaccuracies in the information listed and increases the risk of fraud.

Condition:

We reviewed the process for maintaining, reviewing, approving, and updating the List of Lands Available for Sale posted on the Clerk’s Office website, and noted:

1. There is no mechanism to track changes to the list. Properties are added and/or removed to/from the list without a review or approval process. Historical information associated with updates (additions/removals) to the list is not available, therefore, we were unable to trace selected unsold properties to the List of Lands Available for Sale.
2. There is a lack of segregation of duties. Additions/removals of properties to/from the list are performed solely by the Tax Deed Coordinator without evidence of review and approval.
3. The Clerk’s Office does not recognize unsold properties escheated to the Board of County Commissioners (County) as assets in its financial records, nor does it communicate with the Tax Collector’s Office when properties are escheated for corresponding write-offs. We traced 29 properties which were escheated to the County in 2021 and 2022 and were unable to locate any of them in the financial records. Additionally, we identified 96 escheated properties, with a cumulative appraised value of \$1,330,495, not accounted for during 2020-2022 fiscal years.
4. There is no list of all the properties that have been escheated to the County to ensure high value assets are accurately accounted for and properly reconciled.

Criteria:

1. State law¹³ requires county-held or individually held certificates for which there are no bidders at the public sale and for which the certificate holder fails to timely pay costs of resale or fails to pay the amounts due for issuance of a tax deed within 30 days after the sale, the clerk shall enter the land on a list entitled “lands available for taxes” and shall immediately notify the county commission that the property is available. During the first 90 days after the property is placed on the list, the county may purchase the land for the opening bid or may waive its rights to purchase the property. Thereafter, any person, the county, or any other governmental unit may purchase the property from the clerk, without further notice or advertising, for the opening bid.
2. State law¹⁴ provides[.]three years after the day the land was offered for public sale, the land shall escheat to the county in which it is located, free and clear. All tax certificates, accrued taxes, and liens of any nature against the property shall be deemed cancelled as a matter of law and of no further legal force and effect, and the clerk shall execute an escheatment tax deed vesting title in the board of county commissioners of the county in which the land is located.

¹³ Section 197.502(7), F.S.

¹⁴ Section 197.502(8), F.S.

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Cause:

There is a lack of controls governing the management of unsold properties. There are no policies and/or procedures defining reviews, approvals, and documentation requirements to add or remove properties to/from the List of Lands Available for Sale.

Effect:

1. Not adequately monitoring and tracking unsold properties to the List of Lands Available for Sale increases the risk that land may not be sold to recover unpaid taxes to fund local government expenses and land sales may not be in compliance with the State law.
2. The County is not aware of the number of escheated properties that should be recognized in the financial statements. The lack of controls increases the risk of asset misappropriation.

Recommendation:

To enhance the control environment over the management of unsold properties, we recommend management:

1. Establish clear and comprehensive policies and procedures for the listing of lands available for sale to include:
 - Review of the listing of unsold properties prior to adding them to the List of Lands Available for Sale.
 - Approvals prior to updating (adding/removing) the list.
 - Maintaining prior versions of the list as properties are added/removed.
 - Maintaining records including explanations justifying the removal of properties from the list (if sold, details about the sale/otherwise explanation it was escheated to the county)
2. Incorporate a process to ensure asset recognition once properties are escheated to the County.

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Observation 4 – Statutory and Internal Compliance

Issue:

The Tax Deeds Process plays a vital role in enforcing tax collection and ensuring property ownership rights. However, the lack of statutory compliance within this process can lead to legal disputes, financial losses, and social inequities. Additionally, inadequate administration of processes not mandated by Statutes can lead to inefficient utilization of human resources.

Condition:

While reviewing the Tax Deeds Process to evaluate statutory compliance, we noted:

1. The Clerk's Office lacks an effective process to notify the Tax Collector's Office when certificate holders fail to pay, or timely pay, required selling costs. We reviewed a sample of untimely payments and noted:
 - In 2 of 20 instances, certificate holders did not pay for selling costs and the Tax Collector's Office was never notified to cancel tax deed applications contrary to Statute.
 - In 1 of 67 instances, a certificate holder paid outside of the required 30-day period and the Tax Collector's Office was not notified to cancel tax deed applications. Instead, payment was received 119 days late and the application was processed and participated in the tax deed auction.
2. The Tax Deeds Process is not compliant with statutory requirements when properties are added to the List of Land Available for Sale. Through inquiries, we learned:
 - The Clerk's Office does not communicate with the Board of County Commissioners immediately after properties are added to the List of Lands Available for Sale contrary to Statute.
 - There is no control in place to ensure properties are only available to the Board of County Commissioners during the first 90 days after unsold properties are added to the list as required by Statute.

While reviewing the Tax Deeds Process to evaluate compliance with internal procedures,¹⁵ we noted:

1. Not all properties were included in the very next auction (14 of the 17 properties were auctioned over 90 days after payment was received).
2. Bidders' deposits balances are not periodically reviewed to refund bidders not planning on participating in future auctions, resulting in an ever-increasing liability balance.
 - As of April 30, 2023, a bidders' deposit balance of \$300K sits in a liability account.
 - A schedule of activity shows this balance is comprised of 149 bidders' accounts.
 - A review of bidders' accounts evidence 65 accounts had no activity in the last 2-5 years.

Criteria:

1. State law¹⁶ requires if the certificate holder fails to pay the costs to bring the property to sale within 30 days after notice from the clerk, the tax collector shall cancel the tax deed application. All taxes and costs associated with a canceled tax deed application shall earn interest at the bid rate of the certificate on which the tax deed application was based.

¹⁵ Leon County Clerk of Courts OP 5.5, *Tax Deed Procedures*, effective October 1, 2011

¹⁶ Section 197.502(2), F.S.

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Failure to pay the costs of resale, if applicable, within 30 days after notice from the clerk shall result in the clerk's entering the land on a list entitled "lands available for taxes."

2. State law¹⁷ requires that for county-held or individually held certificates for which there are no bidders at the public sale and for which the certificate holder fails to timely pay costs of resale or fails to pay the amounts due for issuance of a tax deed within 30 days after the sale, the clerk shall enter the land on a list entitled "lands available for taxes" and shall immediately notify the county commission that the property is available. During the first 90 days after the property is placed on the list, the county may purchase the land for the opening bid or may waive its rights to purchase the property. Thereafter, any person, the county, or any other governmental unit may purchase the property from the clerk, without further notice or advertising, for the opening bid, except that if the county or other governmental unit is the purchaser for its own use, the board of county commissioners may cancel omitted years' taxes, as provided by State law.¹⁸ Interest on the opening bid continues to accrue through the month of sale, as provided by State law.¹⁹
3. The Clerk's Office internal procedures require that an invoice be sent to certificate holders to obtain reimbursement for the \$750 auction selling costs. This invoice states "The property listed above will be set for sale on within the next ninety (90) days."

Cause:

1. Ineffective communication precludes the Tax Collector's Office from learning of non-compliant certificate holders.
2. Lack of supervisory oversight to review the Tax Deeds Process periodically and to ensure compliance with regulatory requirements.

Effect:

1. The Tax Collector's Office is not able to cancel pertinent tax deed applications from certificate holders who do not pay required selling costs or paid for those costs outside of the 30-day required period.
2. The Tax Deeds Process is in violation of statutory requirements when unsold properties are added to the List of Lands Available for Sale.

Recommendation:

To promote statutory and internal compliance related to the Tax Deeds Process, management should:

1. Incorporate a supervisory review process to include periodic review of reports listing instances of non-payment and payments received outside the mandated 30-day period to ensure decisions remain compliant with statutory requirements.
2. Implement a process to communicate and document communication to the Board of County Commissioners informing when properties are added to the List of Lands Available for Sale (List).
3. Implement a control and enforce it with a monitoring control to ensure properties are only available to the Board of County Commissioners during the first 90 days of placement in the List.
4. Implement a process to ensure properties are included in the very next auction after payment is received.

¹⁷ Section 197.502(7), F.S.

¹⁸ Section 197.447, F.S.

¹⁹ Section 197.542, F.S.

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| <p>5. If management considers it administratively advantageous, set a timeframe to review bidders' balances and return funds for accounts not used during a predetermined period.</p> |
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APPENDIX A – Management Response



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CLERK OF THE CIRCUIT COURT AND COMPTROLLER

April 12, 2024

Management Responses to Findings in Audit No. 23A-01, Tax Deeds Audit

Observation 1 – Outdated Policies and Procedures

Management agrees with the recommendations. To date the following improvements have occurred:

1. Through the assistance of the Finance Division's Process Improvement Manager and the Tax Deed Coordinator, we have conducted a review of the tax deed bidder accounts including reconciliation of the records in Real Tax Deed and Real TDM applications with the Clerk's system of Record, Banner.
2. We have hired an accounting specialist to separate functions previously performed entirely by the Tax Deed Coordinator. The accounting specialist is also responsible for updating and maintaining accounting records in a timely manner.
3. We have updated the Tax Deeds information on the Clerk's website.

We are reviewing the existing policies and procedures to determine the appropriate updates along with oversight of the Tax Deeds department to ensure segregation of duties and management oversight.

Observation 2 – Banned Bidders

Management agrees with the recommendations and will prepare policies and procedures to address the issues noted to manage banned bidders including logging of banned bidders, reasons for bans, duration of bans and reinstatement dates.

Observation 3 – List of Lands Available for Sale

Management agrees with the recommendations and will prepare procedures to manage properties added and removed from the County's list of lands available for sale. Management will work with the County's property management office to ensure that the procedures are followed.

Observation 4 – Statutory and Internal Compliance

Management agrees with the recommendations and is preparing procedures to communicate with the Tax Collector's office and the Board of County Commissioners more effectively. Recent actions include coordinating with the Tax Collector for notifying tax deed applicants who do not pay the application fee within the statutorily specified 30-day timeframe to provide payment.

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DISTRIBUTION

County Administration:

Ken Morris, Assistant County Administrator
Kim Vickery, Real Estate Manager

Clerk's Office:

Gwen Marshall, Leon County Clerk of the Circuit Court, and Comptroller
Kenneth Kent, COO and Chief Deputy
Edward Burke, Finance Director
Travis Stephens, Assistant Finance Director
Tim Shopmyer, CPA, Process Improvement Manager
Andre Moore, Tax Deed Coordinator

Division of Internal Auditing:

Luis Camejo, former Internal Audit Manager
Natalie Hill, former Internal Auditor
Caratina Luckey, Senior Internal Auditor

External Recipients:

Advisory Audit Committee Members

Deidre Melton, CIA, CISA, CFE, CISM, CRISC, Chair
John Keillor, CPA, CIA, Vice Chair
Nancy Shepherd, CPA, CIA, CRMA, CGFM
Ted Sauerbeck, CPA
Tom Duncan

External Auditor

Taylor Harmon, CPA – Thomas Howell Ferguson, PA

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PROJECT TEAM

Engagement was conducted by:

Natalie Hill, former Internal Auditor

Under the supervision of:

Luis Camejo, CIA, CFE, former Internal Audit Manager

Select phases of the engagement were reviewed by:

Caratina Luckey, Senior Internal Auditor

STATEMENT OF ACCORDANCE

The Clerk and Comptroller's mission is to inspire public trust and bring credit and esteem to the organization through integrity, excellence in customer service, financial oversight, and the utilization of technology to ensure accessibility to justice.

The Division's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight to the Clerk and Comptroller and the Board of County Commissioners.

We conducted this engagement under the authority of section 16 Article V. and section 1. (d). Article VII, State Constitution and in accordance with section 3.31 (1) of the County Charter and in conformance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards).

Please address inquiries regarding this report to the Division of Internal Auditing at (850) 606-4019.