

**SEMINOLE COUNTY**

**REVIEW OF ECONOMIC DEVELOPMENT DEPARTMENT  
ECONOMIC DEVELOPMENT PROGRAM**

**OCTOBER 2007**

Prepared by:  
Internal Audit Division  
Clerk of the Circuit Court



**MARYANNE MORSE**  
Clerk of the Circuit Court  
Seminole County

October 3, 2007

The Honorable Carlton Henley  
Chairman  
The Board of County Commissioners  
Seminole County, Florida  
1101 East First Street  
Sanford, FL 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached review relating to the Economic Development Program.

The review found conditions that warrant management's attention. These conditions and management's corrective action plans are included in the report that follows. We believe the corrective action plans are responsive to the conditions noted.

I would like to personally thank Ms. Sabrina O'Brien and Ms. Tyra Miller for their assistance throughout the course of this review. Their assistance was deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse  
Clerk of the Circuit Court  
Seminole County

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Clerk of the Circuit Court

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**Seminole County  
Economic Development Department**

**Review of the Economic Development Program**

The Internal Audit Division of the Office of the Clerk of the Circuit Court has completed a review of Seminole County's Economic Development Department's business processes.

**PURPOSE**

Our objectives included determining whether the internal controls over the Economic Development Program were in compliance with Seminole County ordinances, resolutions, and the Florida Statutes.

**BACKGROUND**

As of March 2007, the Economic Development Department has organizational responsibilities for three programs. The three programs include:

- Job Growth Incentives Program
- Community Redevelopment Program
- Tourism Development

Prior to the March 2007 Seminole County reorganization, Tourism was a separate and distinct division. A separate audit was issued on this division, March 21, 2007.

Florida Statutes, Section 163.387(1) provides for the establishment of a fund for each Community Redevelopment Program (CRA) after approval of the plan with the Board of County Commissioners.

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CRA's are funded through tax increment financing whereby the CRA is to receive annually 95 percent of the difference between the amount of ad valorem taxes levied by each taxing authority on taxable properties within the designated community redevelopment area, and the amount of taxes that would have been produced by the millage rates levied by the taxing authorities prior to the effective date of the ordinance providing for the funding. Funds allocated to and deposited into this fund are required to be used by the CRA to finance or refinance any community redevelopment it undertakes pursuant to the approved plan. CRA's are quasi-public agencies that are formed to revitalize blighted areas.

Section 163.387(2)(b), Florida Statutes, provides that the taxing authorities must provide the annual tax increment funding by January 1, and amounts not paid by that date, must include an additional 5 percent on the amount of the increment and 1 percent interest for each month the increment is not paid.

The Board of County Commissioners of Seminole County, Florida, determined that the Special District known as the United States Highway 17-92 Corridor Redevelopment Agency; as created and defined in Ordinance Numbers 97-54 and 97-55 and Resolution Numbers 97-R-130 and 97-R-120, is a blighted area appropriate for community redevelopment projects pursuant to Chapter 163, Part III, Florida Statutes. A modification to the redevelopment plan pursuant to Florida Statutes 163.361 occurred on August 25, 1998 wherein the Seminole County Board of County Commissioners adopted by resolution, 98-R-180 a change in boundaries determined to be both necessary and desirable to the Special District.

### **SCOPE OF WORK**

The scope included a review of the administrative controls over the Economic Development Department's business processes, Seminole County ordinances, resolutions, and the various requirements of Chapter 163, Part III and Chapter 189 of the Florida Statutes as they pertain to the U. S. 17-92 Community Redevelopment Agency Trust Fund.

The audit included:

- Review of applicable policies, procedures, statutes, county and city ordinances;
- Review of internal administrative controls;
- Interviews with appropriate personnel; and,
- Review of other related materials as considered necessary in the circumstances.

The audit was conducted by Gail Joubran and Bill Carroll.

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## OVERALL EVALUATION

It is our opinion that the internal accounting controls over the 17-92 CRA program are inadequate and ineffective. The audit revealed that the CRA Trust Fund was over-funded by \$689,824.00. This over-funding was simply the result of not monitoring the changes occurring in the taxing districts since the fund's inception.

Policies and procedures need to be revised in order to strengthen the controls over the 17-92 CRA program and to ensure compliance with the program requirements.

Conditions exist that warrant management's immediate attention:

- CRA trust fund is over funded;
- Transfer of funds requests submitted to County Finance are not always timely; and,
- Changes in boundaries of 17-92 CRA have not been submitted to the Florida Department of Community Affairs.

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**FINDING NO. 1**

*CRA trust fund is over funded.*

On January 1<sup>st</sup> of each year, the cities of Casselberry, Sanford, Winter Springs, Lake Mary, along with Seminole County are required to fund the trust. The City of Longwood is not required to fund the trust as it elected not to participate in this CRA.

The review discovered that Seminole County and all of the cities except for Sanford had overpaid the trust. Sanford had actually underpaid. The bottom line is that the fund is over funded by \$689,824.00.

There are certain conditions that contributed to this funding issue:

- Eleven parcels had been inadvertently left out in the calculation of base year values, taxable values, and tax increments. The result of this, Seminole County overpaid by \$10,559.00 and city of Sanford overpaid by \$5,548.00. **(Refer to Exhibit A)**
- On August 25, 1998, the Board of County Commissioners added 41 parcels to the CRA. These parcels had a value of \$16,996,241.00. These parcels were correctly included in the current and future year values; however, they were never added into the base year value. Having an understated base year caused the tax increment to be larger resulting in an overpayment. **(Refer to Exhibit A)**
- Throughout the life of this CRA, 28 ordinances have been approved to move parcels of land both within and outside the boundaries. Eight of these ordinances moved fifteen parcels from one district to another within the CRA. The remaining 20 ordinances affected an additional thirty one parcels that were annexed out of the CRA by Longwood and Sanford. Furthermore, four other parcels were removed from the CRA as result of an eminent domain by the City of Sanford. Again, the issue with these ordinances is that base values were not adjusted. **(Refer to Exhibit A)**

Not having a formal procedure to monitor and account for the movement of properties in and out of the CRA results in over and/or underpayments into the fund, which also results in non compliance with Florida Statutes.

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**Recommendation**

1. Base values for the 17-92 CRA should be corrected.
2. \$691,832.83 should be transferred from the CRA TRUST back to General Revenue for Seminole County.
3. \$10,593.00 should be sent from the CRA TRUST to the City of Casselberry.
4. \$22,667.00 should be sent from the CRA TRUST to the City of Winter Springs.
5. A bill for \$54,101.00 should be sent to the City of Sanford for the underpayment; this should exclude any penalties and interest.

**Management Response**

The base values have been corrected and this information has been forwarded to the CRA members. The resulting overpayments by the Cities of Casselberry, Winter Springs and County will be refunded from the CRA Trust Fund and the underpayment will be collected from the City of Sanford.

To avoid this issue from reoccurring in the future, a working group has been established consisting of Fiscal Services, Property Appraisers Office and Economic Development and will be expanded to include the Planning Department. The group will develop and execute a program to monitor and report any CRA boundary changes and annexed properties to insure compliance with State Statutes and to avoid under and overpayments into the fund.

**FINDING NO. 2**

*Payment requests submitted to County Finance are not always timely.*

The first step is for Economic Development to calculate the payments that are due for all of the taxing districts; it then, forwards memorandums to Fiscal Services for their review, approval, and mailing to the appropriate City Mayor's offices. For the amount owed by the County, Fiscal Services sends a memorandum to County Finance asking for a formal transfer of money from the general fund to the CRA trust fund.

For years 2005 and 2006, the memorandums to County Finance were not received until May 9, 2007 (for 12/31/06) and March 3, 2006 (for 12/31/05).

Hence, Seminole County's payment to the trust for years ending December 31, 2005 and December 31, 2006 was not made timely. With these delays, the County is required to pay interest into the fund in accordance with FS163.387(2)(b) requires that the taxing authorities provide their annual funding by January 1. Amounts not paid by that date, must include a 1 percent interest for each month the money is not paid.

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For the year ending December 31, 2005, the interest owed is \$6,339.76. For year ending December 31, 2006, \$29,346.26 in interest was due since Seminole County had already remitted \$16,853.82 for interest, it still owes \$12,492.44 in interest.

**Recommendation**

1. Seminole County should pay into the trust the additional \$18,832.20 for interest owed for both years.
2. The CRA Coordinator should monitor the trust fund to make sure invoice and/or memorandums are sent on a timely basis for money to be sent to the trust fund by December 31 and be sure all monies are paid by January 1st.
3. County Finance should diary CRA transfers to make sure the memorandums are received timely.

**Management Response**

The interest owed by the county resulting from late payments into the trust fund will be collected. Below is the procedure that will be followed to avoid this issue in the future.

Utilizing the most recent tax role for each year, certified to the County, this is the DR 422 Final Certification of Taxes received from the Property Appraiser. This certification is received generally in October. Tax Bills will be sent out by mid-November to insure CRA payments/charges by the County and Cities will be paid by December 31<sup>st</sup> each year based upon this tax role and Fiscal Services will administer the billing process.

**FINDING NO. 3**

*Changes in boundaries of 17-92 CRA have not been submitted to the Florida Department of Community Affairs.*

All special districts pursuant to Florida Statutes 189.418(2) must within 30 days after adoption/approval of any boundary change to the special district, submit to the Florida Department of Community Affairs the applicable amendment along with an applicable map change. The department may initiate proceedings against special districts as provided in Florida Statute 189.421 for failure to file the information required of Florida Statute 189.418(2). The financial reporting requirements are declared to be essential requirements of law. Remedy for noncompliance shall be a writ of certiorari.

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A review of the Florida Department of Community Affairs Special Districts reporting system and found that only Resolutions 97-R-130 and 98-R-180 had been filed with the department. Therefore, the 20 ordinances annexing 31 parcels out of the CRA had never been filed with the department.

Identify which ordinances have not been filed with the department.

**Recommendation**

All Ordinances that change the boundary of the 17-92 CRA should be filed with the Florida Department of Community Affairs pursuant to Florida Statute 189.418(2).

**Management Response**

To avoid this issue in the future, a working group was established consisting of Fiscal Services, Property Appraiser's Office, Economic Development and will be expanded to include the Planning Department, the group will develop and execute a program to monitor and report all CRA boundary changes to the Florida Department of Community Affairs insuring compliance with Florida State Statutes.

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**Seminole County  
Clerk of the Circuit Court**

**EXHIBIT A- OVER-FUNDING OF THE TRUST**

*11 Parcels not included in base year  
Values, taxable values, and tax increments*

<b>Seminole County</b>	<b>\$ 10,559</b>	<b>overpaid</b>
<b>City of Sanford</b>	<b>\$ 5,548</b>	<b>overpaid</b>

*41 Parcels annexed not in base year  
(\$16,996,241.00)*

<b>Seminole County</b>	<b>\$823,731</b>	<b>overpaid</b>
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*Movement of Parcels in and out of  
the CRA*

<b>Seminole County</b>	<b>(\$123,625)</b>	<b>(underpaid)</b>
<b>City of Casselberry</b>	<b>\$ 10,593</b>	<b>overpaid</b>
<b>City of Sanford</b>	<b>(\$ 59,649)</b>	<b>(underpaid)</b>
<b>City of Winter Springs</b>	<b>\$ 22,667</b>	<b>overpaid</b>

<i>Total Over funding (Net)</i>	<b>\$ 689,824</b>
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Clerk of the Circuit Court**

**EXHIBIT B- CALCULATION OF INTEREST OWED**

*Calculation of interest owed for year ending December 31, 2005. Payment due on January 1, 2006. Payment made on March 3, 2006*

	<b><u>Net Payment Due after Overpayments taken into account</u></b>
<i>Unincorporated</i>	\$ 68,046.00
<i>Countywide</i>	\$247,365.00
Interest for January (1%)	\$ 3,154.11
Interest for February (1%)	\$ 3,185.65
<b>Total Interest Owed For 12/31/2005</b>	<b>\$ 6,339.76</b>

*Calculation of interest owed for year ending December 31, 2006. Payment due on January 1, 2007. Payment made on May 9, 2007*

	<b><u>Net Payment Due after Overpayments taken into account</u></b>
<i>Unincorporated</i>	\$117,769.00
<i>Countywide</i>	\$604,974.00
Interest for January (1%)	\$ 7,227.43
Interest for February (1%)	\$ 7,299.70
Interest for March (1%)	\$ 7,372.70
Interest for April (1%)	\$ 7,446.43
<b>Total Interest Owed For 12/31/2006</b>	<b>\$29,346.26</b>
<i>Less: Interest already paid</i>	(\$16,853.82)
<i>Balance owed for 2006</i>	\$12,492.44

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Clerk of the Circuit Court**

**EXHIBIT C- "THE BOTTOM LINE"**

*SEMINOLE COUNTY*

<i>Over funded by</i>	<i>\$710,665.00</i>
<i>Owe interest</i>	
<i>(see exhibit B)</i>	
<i>For 2005</i>	<i>(\$ 6,339.76)</i>
<i>For 2006</i>	<i>(\$29,346.26)</i>
<i>Interest Paid</i>	<u><i>16,853.82</i></u>

<i>Over funded by</i>	<i>\$691,832.83*</i>
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*CITY OF CASSELBERRY*

<i>Over funded by</i>	<i>\$ 10,593.00</i>
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*CITY OF LAKE MARY*

<i>Over funded by</i>	<i>\$0</i>
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*CITY OF SANFORD*

<i>Under funded by</i>	<i>\$ 54,101.00</i>
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*CITY OF WINTER SPRINGS*

<i>Over funded by</i>	<i>\$ 22,667.00</i>
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