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September 2025

STATE OF FLORIDA AUDITOR GENERAL

Performance Audit

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. James Zingale served as Executive Director during the period of our audit.

The Auditor General conducts audits of government 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.

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 2023 ad valorem property assessment rolls. The audit also included a follow-up on the findings noted in our report No. 2023-014. Our audit disclosed the following:

Finding 1: As similarly noted in our report No. 2023-014, Department appraisal records did not always reasonably support property values.

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
- 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

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.

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.

- 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.
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 law¹⁵ for an interim assessment roll.

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.

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

¹⁴ Section 195.097, Florida Statutes.

¹⁵ Section 193.1145, Florida Statutes.

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.

FINDING AND RECOMMENDATION

Finding 1: Appraisal Records

As noted in the **BACKGROUND**, at least every 2 years the Department is to perform an in-depth review of the real property assessment roll of each county, including independent appraisals of randomly selected parcels. To conduct the independent appraisals, the Department develops the appraisal sample, validates that it is representative of the population, and in certain instances voids selected parcels and substitutes them with alternative parcels. The Department's *Real Property Field Manual* and *Appraisal Development and Reporting* guidelines, the International Association of Assessing Officers *Standard on Ratio Studies*, and the Appraisal Standards Board *Uniform Standards of Professional Appraisal Practice* (USPAP) 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. In addition, the USPAP emphasizes providing analyses and conclusions that are credible and not misleading and allows for the use of extraordinary assumptions¹⁷ in appraisals when applicable.

According to the USPAP, appraisers are to develop an opinion of property value with specific appraisal procedures that reflect three methods of data analysis:

- **Sales Comparison Approach** – This approach estimates the value of property by comparing similar properties that have recently sold in the market to the property being appraised, identifying appropriate units of comparison, and adjusting the sale value indicators of the comparable properties based on relevant, market-derived elements of comparison.
- **Cost Approach** – This approach estimates the value of property by adding the estimated value of the land to the current cost to build a new or substitute property, which is adjusted for depreciation.

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

¹⁷ Extraordinary assumptions are assumptions regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information may include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.

- **Income Capitalization Approach** – This approach measures the present value of the anticipated future benefits of property ownership, and income from income-producing property is capitalized into a value.

The Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition, specifies that one or more of these approaches are used in all estimations of value and the approaches employed depend on the type of property, the intended use of the appraisal, the applicable scope of work, and the quality and quantity of data available for analysis. All three approaches are applicable to many appraisals, but one or more of the approaches may have greater significance in a given appraisal. Appraisers should apply all approaches that are applicable and for which there is data. In developing a property appraisal, an appraiser must reconcile the quality and quantity of data available and analyzed within the approaches used, and reconcile the applicability and relevance of the approaches, methods, and techniques used to arrive at the value conclusion. In addition, the appraisal's scope of work must include the research and analysis that are necessary to develop credible results.

The Department's *Appraisal Development and Reporting* guidelines outline the considerations appraisers should make when determining the best approach to value a property. For example, the sales comparison approach is usually for properties that are not purchased for income-producing characteristics and the income capitalization approach may be used to value properties where the motivation is to produce an income. When more than one approach is used to develop an opinion of value for an income producing property, the value indication produced by the income capitalization approach might be given greater weight than that of other approaches in the final reconciliation of value indications.

In our report No. 2023-014 (Finding 2), we noted that Department appraisal records did not always reasonably support property values. As part of our follow-up audit procedures to determine whether Department appraisals were consistent with applicable generally accepted appraisal practices and standards and Department policies, procedures, and guidelines, we examined records for 35 Department appraisals from stratum 6 (improved commercial and industrial property), including 5 for Broward County, and 10 each for Monroe, Osceola, and Wakulla counties, that were included in the Department's independent appraisals of randomly selected parcels completed during the 2023 in-depth review. Our examination disclosed that the appraisal records for 14 appraisals (4 for Monroe County, 5 for Osceola County, and 5 for Wakulla County) did not reasonably support the value estimates of the appraised properties. For example:

Monroe County

- For a hotel, the appraiser did not acknowledge that the hotel covered three separate tax parcels. According to the Department *Real Property Field Manual*, the appraisal should have been voided because more than one tax parcel would be needed to value the hotel. Instead, the appraiser's valuation analysis and conclusion included all three tax parcels. In addition, the appraiser did not address the first-floor retail and restaurant areas of the property and only considered the number of hotel rental units.
- For a home improvement store, the appraiser overstated the site size by approximately 1.7 acres due to the appraiser not recognizing the omitted area described in the deed. Using the appraiser's estimated unit value indication of \$815,000 per acre would indicate an overstatement in the subject site value and overall property value of approximately \$1.4 million.

Osceola County

- In five instances, the appraiser valued multi-family properties using an overall average monthly apartment unit asking rental rate, without considering rent concessions, effective rent, or actual rates to determine market rent in accordance with *The Appraisal of Real Estate* guidelines. Additionally, the valuation analysis did not address the different unit mixes and sizes of apartments of the subject and comparable properties. In addition, four of five multi-family properties had individual garages or carports available for tenants to rent; however, the appraiser did not address this other income in the income approach of the appraisals or explain why it was not considered, nor did the appraiser address the various amenities of the subject and comparable rental properties and how differences between them may have impacted the final estimated market rent. Further, for two of the appraisals, the appraiser stated that they were unable to verify the recent prior sale of the properties; however, the appraiser did not document the research and analysis performed to try and obtain the information, as required by USPAP and the Department's *Appraisal Development and Reporting* guidelines. Consequently, in both instances, the appraiser did not consider the prior sales in the valuation analyses.

Wakulla County

- For two income-producing properties, a retail strip center and an economy motel and RV park, the appraiser used only the sales comparison approach to value the properties instead of also using the income capitalization approach, which is more applicable to the subject property type as indicated by the Department's *Appraisal Development and Reporting* and the Appraisal Institute's *The Appraisal of Real Estate* guidelines. In these instances, the appraiser stated that there was not enough data to complete the income capitalization approach but did not document the research and analysis performed to try and obtain the data necessary to use the income capitalization approach, as required by USPAP and the Department's *Appraisal Development and Reporting* guidelines. Further, for the retail strip center appraisal, none of the comparable sales used were located in a similar market area or had a similar tenant quality mix as the subject property, and no adjustments were applied to account for the differences. For the economy motel and RV park, the appraisal excluded two bungalow units which were being renovated from the count of the subject property's rentable units and stated the incorrect frontage type for the subject property. Additionally, the comparable sales used in the appraisal did not have similar physical characteristics, amenities, or combinations of motel rooms and RV park lots as the subject property, and lacked appropriate adjustments for these differences.

In addition, our examination disclosed that for 27 appraisals (5 for Broward County, 10 for Monroe County, 8 for Osceola County, and 4 for Wakulla County) the appraiser did not include extraordinary assumptions in the appraisal report in accordance with the Department's *Appraisal Development and Reporting* guidelines and the USPAP. The extraordinary assumptions not documented included instances where the appraiser made assumptions about the interior of a property when the appraiser had not been able to walk through and observe the quality or condition of the interior and instances where the appraiser relied on the county property appraiser or owner's estimated improvement areas in their valuation analyses.

Department management acknowledged that some appraisal records contained appraiser oversights and errors, additional documentation was needed, and that extraordinary assumptions should have been added to the Scope of Work in each appraisal record. 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 again recommend that Department management take steps to ensure that appraisal records reasonably support the value estimates of all properties.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the findings included in our report No. 2023-014.

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 July 2023 through March 2025 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 2023 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 2023 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 deficiencies noted in our report No. 2023-014.

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 inquired of Department personnel to obtain an understanding of Department in-depth reviews and related property tax oversight processes and responsibilities.
- Obtained an understanding of selected Department information technology (IT) controls, assessed the risks related to those controls, evaluated whether selected general 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 2023 real property assessment rolls for 4 selected counties (Broward, Monroe, Osceola, and Wakulla 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 value groups (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 2023.
- From the population of 34 counties selected for in-depth review by the Department for the 2023 ad valorem tax rolls, selected and examined Department records for Broward, Monroe, Osceola, and Wakulla counties that included 22 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.
- Analyzed Department records for the 4 counties included in our audit (Broward, Monroe, Osceola, and Wakulla counties) to determine whether the required number of appraisals were properly sampled by the Department for each county.
- From the population of 95 completed appraisals associated with the 4 counties included in our audit, selected and examined records for 35 appraisals to determine whether the appraisals appeared complete, accurate, and properly supported.
- Analyzed Department records for all 67 counties to determine whether the levels of assessment required by Department standards were met for 2023.
- From the population of 34 counties in 2023 selected for in-depth review by the Department, examined Department records for the 8 parcels from the 4 counties included in our audit with code 4 value changes (a value change made by the Department to a sample parcel based on additional parcel-specific or appraisal information provided by the county or a value change made by the County Property Appraiser) to determine whether the changes were supported and appropriately processed and recorded.
- Reviewed Department records for the 2023 ad valorem assessment roll reviews to determine whether the Department completed the in-depth reviews in accordance with Section 195.096, Florida Statutes.
- Reviewed Department records for the 2023 ad valorem assessment roll reviews and approvals to determine whether the assessment roll reviews were timely completed, published, and appropriately supported.
- Evaluated Department actions to correct the findings noted in our report No. 2023-014. Specifically, we inquired of Department personnel, reviewed Department policies and procedures, and selected and examined Department records to determine whether the Department:
 - Ensured that for the four counties included in our audit the ratio study samples, strata, and substrata studied by the Department for the 2023 assessment rolls were representative of the population.
 - Ensured that for the four counties included in our audit the selected appraisal records reasonably supported value estimates for all properties for the 2023 assessment rolls.
 - Timely published the assessment roll review results in accordance with Section 195.095(2)(f), Florida Statutes.
 - Conducted periodic reviews of PTO Oracle application user access privileges and promptly disabled user access privileges when no longer necessary.
 - Improved security controls related to PTO Oracle database and Department network user authentication.
- 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 finding and recommendation that is 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name being the most prominent.

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

floridarevenue.com

September 24, 2025

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 of Revenue's response to the preliminary and tentative finding and recommendation 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 Stacey Emminger, Audit Director, at (850) 717-6710 or stacey.emminger@floridarevenue.com

Sincerely,

Jim Zingale

SE/dc

Attachment

cc: Samantha Perry, Audit Manager
Clark Rogers, Chief of Staff
Angie Welch, Inspector General
Stacey Emminger, Audit Director
Rene Lewis, Program Director
Dawn Crosby, OIG Audit Liaison

Finding No. 1: As similarly noted in our report No. 2023-014, Department of Revenue (Department) appraisal records did not always reasonably support property values.

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

Response: The Department concurs with the preliminary and tentative finding.

The Department will update the *Real Property Field Manual* (Manual) to provide clarity and guidance when voiding multi-parcel subjects, addressing multi-use parcels with significantly different property types, and applying the appropriate treatment of additional features such as holding ponds and classification of tangible personal property (TPP), including large generators. Additionally, the Manual will clearly reflect the Department's position on interior inspections by field staff. For safety precautions and to reduce liability, staff are not permitted to enter single-family homes, multi-family apartments, or condominiums.

The Department will ensure the *Uniform Department of Revenue Appraisal Report* (UDORAR) template aligns with the Manual. Specifically, the Department's position on interior inspections of single-family homes, multi-family apartments, and condominiums will be included under the extraordinary assumptions section.

To provide further clarity, the Department developed a new training session on the void process, which all field staff will be required to attend with their regional service center manager (RSCM) and regional manager (RM). In addition, RSCMs will work with appraisers to:

- Document efforts to obtain income information or local sales data and ensure out-of-market sales or omitted value approaches are fully justified in the appraisal report.
- Reinforce the importance of carefully reviewing deeds and parcel maps.
- Emphasize the correct treatment of sub-areas, such as garden centers within home improvement centers and other common property types, when applying the cost approach.
- Reinforce proper units of comparisons in both sales and income approaches, especially when appraising multi-family subject properties.

Responsible contact person: Michael Paramore, Process Manager, Compliance Determination – Field Services