



Audit of Historic Preservation Board Processes and Practices

A Report to the City Commission

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May 31, 2016

City of
Gainesville Office
of the City
Auditor

Carlos L. Holt – City Auditor

EXECUTIVE SUMMARY

May 31, 2016



Why We Did This Audit

The audit was initiated based on a referral from City leadership related to concerns over Historic Preservation Board processes and practices.

What We Recommend

Planning & Development Services should take actions to:

- Update the local register of historic places
- Improve efforts over conflict of interest documentation and Board voting
- Compile annual reports of Board activities for City Commission approval
- Submit revised Board rules for City Commission approval
- Enhance clarity and citizen accessibility of Historic Preservation Guidelines
- Seek opportunities for grant funding
- Monitor Board communication with citizens

Audit of Historic Preservation Board Processes and Practices

BACKGROUND

The City of Gainesville adopted the Historic Preservation/Conservation Ordinance in 1983, creating the Historic Preservation Board and establishing the Local Register of Historic Places to protect over 1,500 historic structures. There are currently five historic districts listed on the Local Register of Historic Places: Northeast, Southeast, Pleasant Street, University Heights-North, and University Heights-South. The Northeast, Pleasant Street and Southeast are also included in the National Register of Historical Places. The Historic Preservation Board is the designated advisory body for guiding the public on preservation matters within Gainesville's historic districts. Board members include architects, real estate brokers, contractors, or others interested in historic preservation.

Citizens living in local historic districts are bound by local design reviews. One of the tasks assigned to the Historic Preservation Board is issuing Certificates of Appropriateness (COA), which applies to exterior work done on structures, including windows, doors, materials, rooflines, gutters, and fences. The Historic Preservation Board meets monthly in the City Commission auditorium where the merits of citizen petitions for certificates are evaluated; the certificate confirms the changes are appropriate and acceptable.

OBJECTIVES

The objectives of the audit were to determine the following:

- Were Historic Preservation Board processes operating within established criteria?
- Did Historic Preservation Board processes meet the needs of the citizens?
- Were there adequate internal controls to prevent conflicts of interest?

WHAT WE FOUND

The Board is knowledgeable and passionate in seeking to preserve the character of the City's Historic District and other historical structures. However, we found:

- The Board's passion has at times been perceived as confrontational and lacking civility by petitioners, especially for demolition requests
- Board members representing professional interests must be careful to abide by conflict of interest rules during discussions and voting
- There is not a current and accessible local register of historic properties
- Board activities were not reported to the City Commission annually
- Board rules were not submitted for City Commission approval
- Preservation Guidelines were voluminous and unclear
- Proactive efforts to secure external grants weren't conducted

GOVERNANCE

Enabled by the City's Historic Preservation/Conservation Ordinance (Section 30-355), the nine members of the Historic Preservation Board are appointed by the City Commission. Board members are unpaid volunteers, must be city residents, and serve a term of three years. One member must be a registered architect; other appointees should represent areas of expertise, when possible, such as history, real estate, finance, urban planning, law, engineering, building construction and landscape architecture.

The Historic Preservation Board adopts administrative rules that are approved by the City Commission. Board activities are also governed by Land Development Code Section 30-112 and the *City's Advisory Board Participation Handbook*. The *City's Historic Preservation Rehabilitation and Design Guidelines (hereafter referred to as "Guidelines")* are used for reviewing petitions. These local *Guidelines* are based on 10 rehabilitation standards in the Secretary of Interior's *Standards for Rehabilitation for Rehabilitating Historic Buildings* and also make use of historic Gainesville photographs complemented by selections from the State of Florida Photographic Collection and the State Archives, Florida Department of State.

The department of Planning and Development Services is responsible for providing administrative duties for the Historic Preservation Board, providing technical assistance to owners of historic properties, and reviewing applications for Certificates of Appropriateness.

SCOPE AND METHODOLOGY

We reviewed Historic Preservation Board processes and practices to determine appropriateness and compliance to laws, rules, and regulations. The scope of the audit was October 1, 2013 through September 30, 2015, but also included an analysis of transactional data and documentation prior to and after the established scope. To accomplish our audit objectives, we:

- Conducted interviews
- Evaluated internal controls and limited application controls
- Conducted a limited review of sample selections to determine the effectiveness of internal controls
- Conducted a limited analysis of financial transactions
- Considered risk of fraud, waste, and abuse
- Considered information technology risks

Areas not included in this audit:

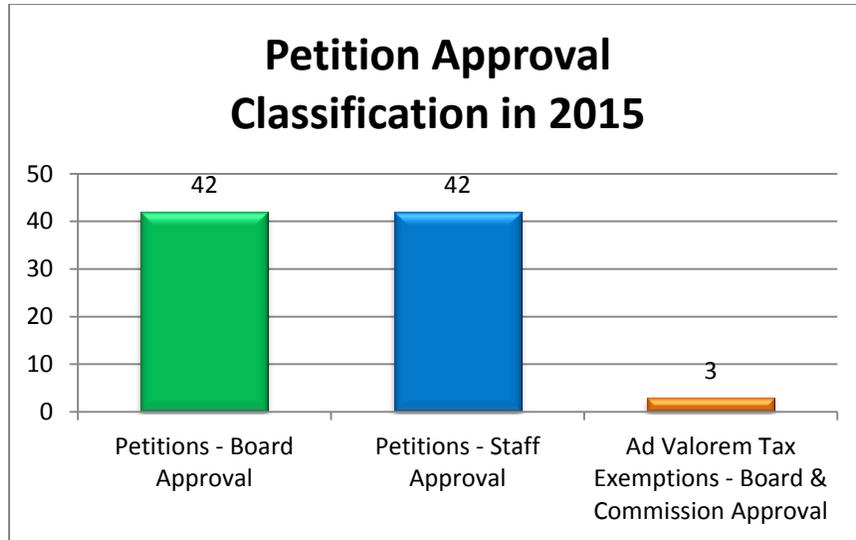
- Information system review of *ArcReader* GIS system
- Information system review of *Innoprise* Project Management System

RELATED FACTS AND FIGURES

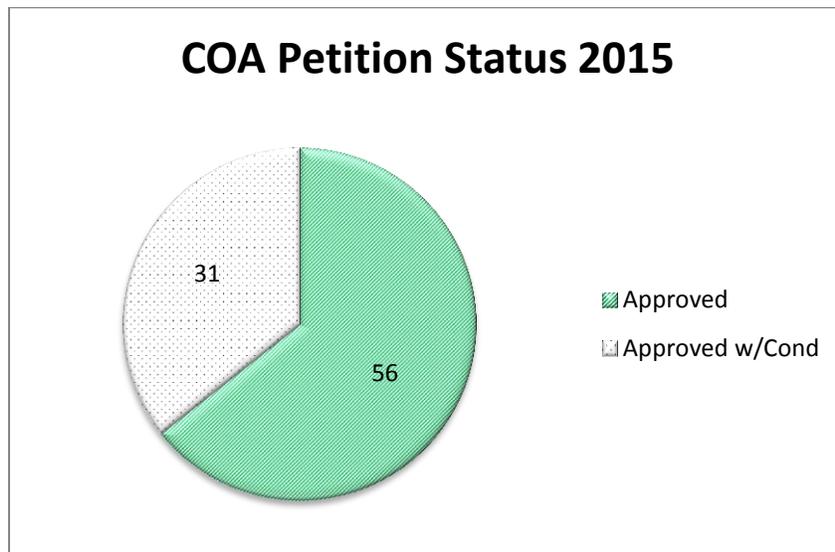
The City receives approximately 90 petitions for Certificates of Appropriateness annually. Planning staff initially screen petitions and determine level of review. Staff approves petitions for minor changes that are compatible with the *Guidelines*. Requested changes that require Historic Preservation Board review are placed on the agenda and publicly noticed 5 to 7 days prior to the meeting. Public notice signage is required to be placed on the property by the petitioner no later than 10 days prior to the meeting.

The applicant or owner of the property should be present at the Historic Preservation Board meeting and be prepared to address inquiries from the board members and the general public. The meeting is a quasi-judicial public hearing with procedural requirements. The Historic Preservation Board may approve, approve with conditions, or deny projects. Petition status is recorded in the Board minutes and communicated to petitioners by first class mail. Denials can be appealed to the City Commission. **See Appendix B** for a flowchart of the COA Process.

The following table summarizes the review classification for the 87 petitions reviewed in 2015.



The following graph depicts the status of the 87 petitions reviewed in 2015.



OBJECTIVES AND CONCLUSIONS

1. *Were Historic Preservation Board processes operating within established criteria?*

Generally yes. The Historic Preservation Board operated mostly within established criteria. However, we noted that Planning Management did not maintain an accessible register of local historic preservation properties (see Observation A). While property data was available with Planning's GIS system, the data is not considered a register and reporting capabilities are limited. An easy to use register of historic properties should be available to citizens rather than a GIS mapping system requiring searches to find properties. An annual report to the City Commission of Board activities was not submitted as required by City Code (see Observation C). Board rules have been revised but were not approved by the City Commission as required (see Observation D). Grant funding to preserve historic resources has not been actively sought (see Observation G).

2. *Did Historic Preservation Board processes meet the needs of the citizens?*

Generally no. The complexity and unclear communication of the *Historic Preservation Rehabilitation and Design Guidelines* contributed to citizen misunderstandings. Guidelines were not available in a clear and concise manner (see Observation F). Board member comments sometimes lacked civility during discussions with citizens seeking approval to demolish historic properties (see Observation H). The receipting process for collecting fees for Certificates of Appropriateness and other fees lacked internal controls increasing risks for misappropriation (see Observation E).

3. *Were there adequate internal controls to prevent conflicts of interest?*

Generally no. Signed Memorandum of Voting Conflict Forms declaring a Historic Preservation Board member's potential conflict of interest were not on file for several projects reviewed. Also, meeting minutes reflect that Board members listed as the applicant for Certificates of Appropriateness also voted on their projects four of seven times (see Observation B).

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control – Integrated Framework (2013 Framework)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to help management fulfill their internal control responsibilities.

Observation A: No Register of Historic Properties

The Planning Department is charged with maintaining accurate records regarding historic preservation activities. We noted that while local historic places were identified at the inception of establishing the Historic District, a current register of historic places has not been maintained. Although staff maintains individual paper files of properties, quantifying the number of contributing structures on the local register may only be obtained by viewing the *ArcReader GIS system*. *The system provides parcel and contributing structure information, but staff identified significant errors regarding structure categorizations in 2015. ArcReader’s reporting capabilities were limited and cumbersome. Extracting records was tedious since the system was not designed to serve as a register of historic places. Gainesville citizenry lack resources necessary to plan exploration of the wonderful collection of historic properties within their city.*

Risks:

- Incomplete inventory of locally registered historic places
- Unreliable information systems data of classification
- Inaccurate reporting information

Criteria:

- COSO, Control Activities – Principle 11 - “The organization selects and develops general control activities over technology to support the achievement of objectives.”
- COSO, Control Activities – Principle 13 - “The organization obtains or generates and uses relevant, quality information.”
- Gainesville Code of Ordinance Subsection 30-112(d)(1) – Local Register of historic places. Creation. A local register of historic places is hereby created as a means of identifying and classifying various sites, buildings, structures, objects and districts as historic and/or architecturally significant. The local register will be kept by the city manager or designee.

Recommendation for Planning Management:

Develop a current and accessible local register of historic places.

Observation B: Conflict of Interest Disclosure

At the time of the audit, two Board members were active realtors in the Historic District and two were active architects. Board members are required to recuse themselves from voting by disclosing potential conflicts of interest and completing a Memorandum of Voting Conflict Form (Form 8B).

We reviewed project files of Certificates of Appropriateness petitions where Board members were listed as applicants. We found that signed Memorandum of Voting Conflict Forms were not included in two of seven projects files. The member serving as the project’s architect also served as Board chair when these petitions were heard by the Board. Board minutes reflect the member participating in the voting process. According to Board minutes, drafted by the Planning Department, four of the seven petitions selected for review indicated that members serving as the architect voted on the petitions.

Risks:

- Board conflicts of interest can affect public duties
- Adverse impact on petitioners
- Noncompliance with legal requirements and City guidelines

Criteria:

- COSO, Control Environment – Principle 1 - “The organization demonstrates a commitment to integrity and ethical values.”
- City of Gainesville Advisory Board Participation Handbook – Board members should note a conflict of interest and follow the appropriate procedures. If a voting conflict exists and the conflict is known prior to the meeting members must disclose in writing and file with the staff liaison prior to the meeting a Memorandum of Voting Conflict Form. The member may participate in the discussion, but must abstain from voting.
- Florida Statutes Section 112.3143(2)(a) – “A state public officer may not vote on any matter that the officer knows would inure to his or her special private gain or loss.”

Recommendations for Planning Management:

- 1) Ensure that signed Memorandum of Voting Conflict Forms are completed by Historic Preservation Board members to document conflicts of interest
- 2) Retain copies of submitted Memorandum of Voting Conflict Forms
- 3) Ensure that conflicted members do not vote on projects

Observation C: Required Annual Report Not Submitted to City Commission

The Historic Preservation Board’s required annual reports to the City Commission have not been compiled and submitted. City Code mandates that the Board report at least annually to the City Commission concerning its activities. Management noted that a lack of staff members contributed to this condition in the past.

Risks:

- Lack of accountability
- City leadership not informed of Board activities, successes, challenges, goals, and corrective actions

Criteria:

- COSO, Information and Communication – Principle 15 - “The organization communicates with external parties regarding matters affecting the functioning of internal control.”
- COSO, Monitoring Activities – Principle 17 - “The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.”

- Gainesville Code of Ordinance Subsection 30-355(b)(10) – It shall be the responsibility of the Board to report to the City Commission concerning the board’s activities at least once a year.

Recommendation for Planning Management:

Work with the Historic Preservation Board members to compile and submit an annual report of its activities to the City Commission.

Observation D: Board Rules Not Approved by the City Commission

The Historic Preservation Board revised and approved its rules in August 2013, but has not submitted the changes to the City Commission for final approval. While the Board is adhering to the proposed rules, City Code subsections 30-355(b)(9) and 30-355(e)(4), requires the rules be adopted by resolution. Management acknowledged that the Board’s rules were not adopted by the City Commission.

Risks:

- Lack of accountability
- Non-compliance with City code
- Poor internal control

Criteria:

- COSO, Information and Communication – Principle 15 - “The organization communicates with external parties regarding matters affecting the functioning of internal control.”
- COSO, Control Environment – Principle 5 - “The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.”
- Gainesville Code of Ordinance Subsection 30-355(b)(9) – It shall be the responsibility of the Board to submit to the City Commission for its approval, rules and procedures to be used by the board for implementation of the powers and duties consistent with the provision of this chapter.
- Gainesville Code of Ordinance Subsection 30-355(e)(4) – Rules. The Board shall adopt rules, as approved by the City Commission for the transaction of its business, which provide for the time and place of regular meetings and for the calling of special meetings. All meetings of the board shall be open to the public, and a public record shall be kept on the board’s resolutions, proceedings and actions.

Recommendation for Planning Management:

Work with the City Attorney to ensure that revised Historic Preservation Board rules are submitted to the City Commission for approval.

Observation E: Cash Receipting Controls Require Oversight

During a review of cash receipts, we noted that controls for collecting Certificates of Appropriateness fees require improvement. Previously (prior to October 1, 2015), billings and collections maintained an office in the Thomas Center, making it easy to require a petitioner to submit fees then provide the receipt to administrative staff. The billings and collections site has since been removed. Some payments made prior to the billings and collections change were not reconciled between *Innoprise* and *Advantage Financial*. Currently, payments which have not yet been made are entered into *Innoprise*. Later entries are made to *Advantage Financial* through an *iNovah* interface. Duties are not segregated to ensure

those making system entries do not handle checks or cash; however, some compensating controls are in place.

Risks:

- Funds could be misappropriated
- Inaccurate and unreliable information systems data

Criteria:

- General accounting cash receipting controls
- COSO, Risk Assessment – Principle 8, - “The organization considers the potential for fraud in assessing risks to the achievement of objectives.”
- COSO, Control Activities – Principle 11, - “The organization selects and develops general control activities over technology to support the achievement of objectives.”

Recommendation for Planning Management:

Ensure collected amounts entered in *Innoprise* are reconciled with the accounting system monthly (at a minimum)

Observation F: Unclear Communication of Guidelines

Citizen’s access to the Board’s *Historic Preservation Rehabilitation and Design Guidelines* and other historic preservation policies and procedures was not optimized. The City of Gainesville’s Planning website was difficult to follow and preservation policies were located in various locations across multiple web pages. Given that the *Guidelines* themselves are voluminous and difficult to understand, users would be better served by tools to aid their comprehension. Communicating and distributing the *Guidelines* to the community clearly and concisely is imperative to understanding and achieving compliance. Improved communication aids, such as a matrix and a brochure, are needed to better explain acceptable and unacceptable changes.

Interviews with Petitioners indicated that Historic Preservation Board public hearings on Certificates of Appropriateness made it difficult to decipher between the requirements of the *Guidelines* and personal opinion. On several occasions, Board members were heard saying, “Personally, I would like to see...” which contributed to confusion about the Board’s authority, opinions, and application of the *Guidelines*.

Risks:

- Historic preservation *Guidelines* not clearly communicated
- Low rate of compliance
- Disengaged citizens

Criteria:

- COSO, Information and Communication – Principle 15 - “The organization communicates with external parties regarding matters affecting the functioning of internal controls.”
- Citizen Centric Principle 2 – We believe in relationships, not transactions.
- Citizen Centric Principle 5 – We show people where they are in the process.
- Citizen Centric Principle 6 – We empower citizens at every interaction.

Recommendations for Planning Management:

- 1) Historic Preservation Guidelines should be enhanced for clarity of preservation requirements
- 2) Citizens should be provided better tools for accessing and comprehending *Guidelines* and related material

Observation G: Lack of Grant Funding

There was no ongoing effort of the Historic Preservation Board to secure external grants. The City's established Historic Preservation District may be eligible for national grants to assist with preservation efforts. In addition, the City is designated as a Certified Local Government by the Florida Division of Historical Resources Bureau of Historic Preservation and eligible to apply for special matching grants. No grants have been established by the Board.

The City's Community Development Committee created a \$30,000 Historic Stabilization Fund in 2014 to assist Pleasant Street District homeowners with bringing badly deteriorating homes up to code. To date, no petitioners were granted a forgivable loan from the Historic Stabilization fund despite the board's communication of this information to homeowners.

Risks:

- Available grant funding not unutilized
- Opportunities for outreach not addressed

Criteria:

- COSO, Control Environment – Principle 5 - "The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives."
- Gainesville Code of Ordinance subsection 30-355(b)(3) – It shall be the responsibility of the Board to explore funding and grant sources and advise property owners concerning which might be available for the identification, protection, enhancement, perpetuation and use of historic, architectural, archaeological and cultural resources.
- Citizen Centric Principle 1 – We embrace a shared sense of purpose.
- Citizen Centric Principle 2 – We believe in relationships, not transactions.
- Citizen Centric Principle 6 – We empower citizens at every interaction.

Recommendation for Planning Management:

Proactively seek opportunities for external grant funding to assist with historic preservation efforts

Observation H: Communication

Historic Preservation Board meetings occasionally lacked civility, especially during petitions related to demolitions. Demolition by neglect is a term used to describe a situation when property owners purposely neglect homes to circumvent preservation regulations. The Board has a prescribed purpose to preserve contributing structures in the Historic District that sometimes conflicts with petitioners seeking to demolish structures. This sometimes leads to heated discussions. Actions for petitioners seeking to demolish historic properties are placed on a 90 day hold prior to demolition. The Historic Preservation Board has the authority to lift the hold at a petitioner's request.

We observed Board comments that could be viewed as lacking civility. The Board repeatedly questioned petitioners why the property was not maintained and why didn't they take care of it. We observed a realtor board member advising petitioners to "put the home up for sale instead of demolishing it." Statements such as "if they put a sign up on the property, they'll probably sell it in a day or two," were observed. Statements such as, "if the owner is not going to maintain it, they don't need to keep it" further divide the interested parties.

Note: An item related to *demolition by neglect* from the Community Development Committee is currently being worked. This item seeks to improve communication to prospective property purchasers to conduct due diligence on property conditions and possible repairs as well as cautioning purchasers not to let the condition deteriorate or slip into disrepair and then request demolition. A firm definition of the precise attributes of demolition by neglect is being addressed. Members of Code Enforcement and the Historic Planning Board are working with others on these issues.

Risks:

- Disengaged citizens
- Encouragement of discourteous behavior

Criteria:

- Citizen Centric Principle 1 – We embrace a shared sense of purpose.
- Citizen Centric Principle 2 – We believe in relationships, not transactions.
- Citizen Centric Principle 6 – We empower citizens at every interaction.

Recommendation for Planning Management:

Ensure Historic Preservation Board members communicate to citizens with civility while assisting with preservation efforts

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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 observations and conclusions based on our audit objectives.

AUDIT TEAM

Carlos L. Holt, CPA, CFF, CIA, CGAP, CFE, City Auditor
Eileen M. Marzak, CPA, CFE, Assistant City Auditor
Brecka Anderson, CIA, CGAP, Senior Auditor

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN



DATE: May 17, 2016
TO: Carlos Holt, City Auditor
FROM: Ralph Hilliard, Planning Manager 
SUBJECT: Audit of Historic Preservation Board Processes and Practices

This is to acknowledge receipt of the “Audit of the Historic Preservation Board Processes and Practices”. Our responses to the audit finding are attached to this memorandum. It was a pleasure working with your audit team, and the audit will help us improve the Board’s processes and practices.

cc: Anthony Lyons, City Manager
Andrew Persons, Principal Planner
Jason Simmons, Planner

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing responses to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for Planning Management to:</i>		
A) Develop a current and accessible local register of historic places	Partially Agree: The Staff has maintained a mapped visual register on the city’s webpage for the public to view. The webpage contains maps of each of the Historic Districts that clearly show the contributing and non-contributing structures and their addresses. It does appear that there may have been some record keeping errors over the years with staff changes and as a result, some structures that were moved or relocated between districts were not reflected on the maps. Staff will prepare a list of properties to go along with the map that can be easily updated.	Staff has started this process. August 1, 2016
B) 1. Ensure that signed Memorandum of Voting Conflict Forms are completed by Historic Preservation Board members to document conflicts of interest	<u>Agree</u>	Immediate
2. Retain copies of submitted Memorandum of Voting Conflict Forms	<u>Agree</u>	Immediate
3. Ensure that conflicted members do not vote on projects	<u>Agree: Staff believes that the staff person did not record the voting record correctly. However, staff agrees that conflicted members should not vote.</u>	Immediate
C) Work with the Historic Preservation Board members to compile and submit an annual report of its activities to the City Commission	<u>Agree: Staff will ensure that the Board’s Chair updates and submit an annual report to the City Commission during the Budget Hearing process for City Advisory Boards.</u>	Immediate

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
D) Work with the City Attorney to ensure that revised Historic Preservation Board rules are submitted to the City Commission for approval	<u>Agree</u>	Sept. 1, 2016
E) Ensure collected amounts entered in <i>Innoprise</i> are reconciled with the accounting system, monthly (at a minimum)	<u>Agree:</u> All <i>Innoprise</i> amounts have been reconciled with the accounting system. The Staff collecting the fees and application provides a report to Building Division Staff that completes a Batch Report that is reconciled daily. The daily batch reports are then sent to Finance, whose staff also review and check the reports for any inconsistencies.	No further action needed
F) 1. Historic Preservation Guidelines should be enhanced for clarity of preservation requirements	<u>Agree:</u> Staff is applying for a grant that will be used to review and update the guidelines to make them more user friendly.	Grant funding may be available in the Fall of 2016
2. Citizen should be provided better tools for accessing and comprehending Guidelines and related material	<u>Agree:</u> Staff has recently updated several informational brochures pertaining to historic preservation programs. Once the guidelines have been revised, staff will develop a brochure that will be readily available as a handout and online.	Based on Grant funding it is anticipate that the project will be completed by January 2018
G) Proactively seek opportunities for external grant funding to assist with historic preservation efforts.	<u>Partially Agree:</u> The City did receive a grant for the Old Train Depot Building as part of a preservation effort. Staff agrees more could be done. Staff has applied for two grants since the audit started, one for the Thomas Center building improvements and another for a historic survey and updating the guidelines mentioned above. Additionally the Program did receive \$30,000 from the City Commission of which approximately \$5000 have been encumbered for work completed in the Pleasant Street Neighborhood.	Doing and will continue to seek grant funding.

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
H) Ensure that Historic Preservation Board members communicate to citizens with civility while assisting with preservation efforts	<u>Partially Agree:</u> Staff agrees that members should communicate to citizens with civility, however staff cannot ensure this we can provide the board with training and reminders. Staff will also share this audit with the Board.	Immediate

APPENDIX B – REVIEW PROCESS FOR COA PETITIONS

