



# *City of Albuquerque*

## **Office of Internal Audit**

FOLLOW-UP OF THE COLLECTION AND WRITE-OFF  
OF PROPERTY LIENS

PLANNING / CODE ENFORCEMENT DEPARTMENT

Report #22-19-109F

Date: February 24, 2022

### **INTRODUCTION**

The Office of Internal Audit (OIA) issued Audit No. 19-109, Collection and Write-Off of Property Liens- Planning/Code Enforcement Department on May 27, 2020. OIA completed a follow-up to determine the corrective action that the City of Albuquerque's (City) Planning Department's Code Enforcement Division (CED) has taken in response to the report. The report contains one recommendation, which has been fully implemented and is now considered closed.

### **BACKGROUND**

CED is responsible for responding to violations, zoning, building, land use codes, and regulations; recording and releasing of property liens; reconciling the accounts receivable and ensuring all property liens are pursued. CED occasionally creates and files liens on vacant properties when the properties have been found to be in violation of the City's Anti-Weed and Litter Ordinance or the Uniform Housing Code Ordinance. In both cases, property owners are notified that their property is in violation and are given time to resolve the violation(s). If the violation is not corrected in the time given, a work order is created to have the work completed and a lien is filed against the property for the cost of the work performed.

OIA completed an audit of the CED process for collection and write-off of property liens for the period May 1, 2015 through October 31, 2019. This audit was part of the OIA fiscal year 2019 approved Audit Plan and was a carryover from the fiscal year 2018 audit plan. The audit objective was to determine if the lien receivables and write-offs for weed removal, litter clean-up and demolition filed by CED follow Administration Instruction (AI) 2-2. Specifically, the audit determined whether:

- a. External billing and receivable systems used to record or track lien receivables approved by the Department of Finance and Administrative Services in accordance with AI 2-2 Section 6.3.1.
- b. The department prepares a monthly reconciliation and aging report, and submits final notices or invoices in accordance with AI 2-2 Section 8.0.
- c. The department has written policies and procedures to ensure timely follow-up and collection in accordance with AI 2-2 Sections 11.3 (departmental responsibilities), 11.4.1 (procedures), 11.4.2 (phone calls), 11.4.7 (letters), and 11.4.8 (accounts over 61 days-default management).
- d. The department obtains legal assistance in accordance with AI 2-2 Section 11.9?
- e. The department reconciles to the general ledger, customer's accounts and receipts in accordance with AI 2-2 Section 15.5.
- f. Final write-offs, if any, are performed in accordance with City Council AI Section 17.5.

Further information pertaining to the audit scope, limitations and methodology can be found in Appendix A of the original report.

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**OBJECTIVE**

The objective of this follow-up was to determine whether CED has taken the corrective actions recommended in OIA's May 27, 2020 report. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, the Planning Department is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address the audit recommendation from the original audit report dated May 27, 2020 through the submission of actions on January 23, 2022.

**METHODOLOGY**

To achieve the objective, OIA:

- Obtained documentary evidence from CED.
- Interviewed CED staff to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that CED and reported as implemented.

**RESULTS**

The one recommendation made in the original audit report has been implemented and is now considered closed. See ATTACHMENT 1.

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## ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
<p>1. The Planning Department's Code Enforcement Division (CED) should comply with the Administrative Instruction requirements regarding Credit, Collections &amp; Accounts Receivable (AI 2-2) or develop written policies and procedures that comply with and address the requirements outlined in AI 2-2. At a minimum, these practices and/or policies and procedures should include that:</p> <p>a. Lien information, including collection efforts, lien releases, interest and fees charged, and payments received, are accurately and consistently tracked.</p> <p>b. The accrual basis of accounting is used to record lien receivables in the general ledger.</p> <p>c. Aging reports be prepared monthly to classify accounts as 31-60 days, 61-90 days, 91-10 days and 120 days past due.</p> <p>d. Lien receivables, 120 days past due, be assessed for collectability and considered for write-off.</p> <p>e. Reconciliations between the aging report and general ledger are performed at least quarterly.</p> <p>f. Final write-offs, if any, performed in accordance with City Council AI Section 17.5.</p>	<p>The Planning Department</p>	<p>The Planning Department has provided the updated policies and procedures which document the lien process. The Planning Department is recording the liens using the accrual basis of accounting in Peoplesoft. AR billing forms are filled out and sent to the Accounts Receivable Coordinator in Central Accounting for entry into Peoplesoft as a receivable. The aging reports are prepared monthly by Central Accounting and are reconciled to the general ledger in PeopleSoft and if an out of balance is identified, this creates an item in suspense for us to investigate.</p> <p>The Planning Department worked with Central Accounting AR and entered the majority of the liens into Peoplesoft during June/July 2021. The criteria for entering them into Peoplesoft were liens that were 4 years old or less. The reason for this requirement was to comply with the state statute for liens (the lienee is not required to pay for liens older than four years). Before the end of FY2022, Planning will review all outstanding liens in Peoplesoft and comply with AI-Section 17.5. The Treasurer normally sends the AR write-off packet to fiscal managers during the 4<sup>th</sup> quarter of each fiscal year.</p>	<p>The Office of Internal Audit (OIA) obtained a copy of the Planning Department's revised Code Enforcement Division (CED) <i>Lien Policy and Procedures</i>, which was approved by the Finance &amp; Administrative Services Department (DFAS) in August 2021.</p> <p>Upon review of the revised policies and procedures, OIA noted that they include details regarding lien collection efforts, lien releases, interest costs, fees charged according to violation occurrence, and payment recording. Per CED, the accrual basis of accounting is now used to track and record lien receivables in PeopleSoft. Aging reports are generated from Accounts Receivable invoice data and per a review by OIA, the aging reports classify the accounts as 0-30 days, 31 to 60 days, 61 to 90 days, and greater than 90 days delinquent. Accounts between 90-120 days may be sent to the collection agency contracted with the City and if they are, it is indicated in the aging reports. The process by which liens older than four years are submitted to the City's Treasury Department for write-off is included in the revised policies and procedures, which is in alignment with <i>Administrative Instruction 2-2 Credit, Collections, and Accounts Receivable</i>. Aging reports are now reconciled to the PeopleSoft General Ledger on a monthly basis. While Planning intends on performing their first lien write-offs by the end of FY2022, OIA reviewed the <i>Account Write-Off Reporting Form</i> template to be utilized. This form includes information such as the debtor name, original revenue account number, date due, fund account information, collection actions taken, justification for write-off, and amount of debt.</p>	<p><input type="checkbox"/> Open  <input checked="" type="checkbox"/> Closed  <input type="checkbox"/> Contested</p>