

**Post-Audit Review 13-06:
Liens on Abatements**

October 2014

City Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

October 27, 2014

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of Liens on Abatements (Report #13-06)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2013 Liens on Abatements report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. The processing time to record and release liens exceeded the stated goal of 30 days, requiring on average 72 and 67 days, respectively; and,
2. The cost to process some liens exceeded the value of the liens recorded.

The audit had 7 recommendations to improve efficiency and effectiveness of the municipal liens on abatements process. At the time of this Post-Audit Review, three recommendations were not implemented, two were partially implemented, and two were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Travis McDonough, Chief of Staff
Brent Goldberg, Chief Operating Officer
Audit Committee Members
Wade Hinton, City Attorney
Donna Williams, Economic & Community Development Administrator
Barry Teague, City Treasurer

RECOMMENDATIONS NOT IMPLEMENTED (3)

Recommendation	Actions Taken
<p>2 We recommended City Attorney's Office develop an adequate tracking system to ensure liens are released in a timely manner after payment is received. Possible changes may include developing a standard checklist and generating Oracle revenue reports on a weekly basis to verify copies of collection reports were received and the municipal liens were released.</p>	<p>The City Attorney's Office has not developed the recommended standard checklist or developed an adequate tracking system. Based on auditor review of recent collection reports, property files, and release of lien records, we noted similar errors as previously reported in our audit findings. In our small post audit review sample we noted paid liens had duplicate releases filed within one month of each other increasing cost to the City for recording fees and staff time. However, we did find the lien releases were recorded within 30 days of the collection reports.</p>
<p>4 We recommended periodic reconciliation of the accounts receivable ledger to verify additions (using the CityView report) and payments (using the Oracle revenue report) are adequately reflected in the database used to update the property tax bills.</p>	<p>Per the City Attorney's Office the recommendation was not implemented. The reconciliation process will be addressed once the Treasurer's Office updates their computer system to handle lien payments and releases. The proposed system will generate a release at the time of the payment. The software implementation is planned for the Summer of 2015.</p>
<p>7 We recommended City Attorney's office develop a standard municipal lien checklist to assist staff with tracking the lien process. In addition, we recommended updates to the written policies and procedures, including but not limited to, record retention requirements.</p>	<p>The City Attorney's Office has not developed the recommended standard checklist or developed an adequate tracking system. Based on auditor review, we noted discrepancies in the process as discussed above in Recommendation #2.</p>

RECOMMENDATIONS PARTIALLY IMPLEMENTED (2)

Recommendation	Actions Taken
<p>3 We recommended the City Attorney's office update the Municipal Lien Registry to reflect discrepancies noted in the audit.</p>	<p>We reviewed the discrepancies noted in the audit to determine if the 2014 Municipal Lien Registry was updated to reflect the payments. We found one identified paid lien has neither been released nor removed from the 2014 property tax bill. We also found thirteen (13) identified paid liens were properly released with the register of deeds but remained on the 2014 property tax bill. In addition, our post audit review identified additional properties with two liens filed in error for the same amounts but on different dates.</p>
<p>5 We recommended E&CD Department, in conjunction with the City Attorney's Office, develop minimum dollar criteria for recording municipal liens on abatements.</p>	<p>Based on recommendation from the City Attorney's Office, the E&CD Department set the minimum threshold of \$250 per year. The cost analysis was not used to develop this minimum threshold. Per the Department, liens are filed as an aggregate total once the balance due reaches \$250. However, in August of each year, the Department will review and record all abatements during the year that were not previously filed regardless of dollar amount. The Department plans to re-evaluate the current cost for recording municipal liens to determine the optimal minimum threshold the abatements must reach prior to recording liens. The Department plans to fully implement this recommendation in the near future.</p>

RECOMMENDATIONS FULLY IMPLEMENTED (2)

Recommendation	Actions Taken
<p>1 We recommended the departments eliminate manual processes, where possible, using templates in CityView. Possible areas include using CityView to generate the cover letter and the municipal lien document(s) as well as a periodic detailed filing report. The E&CD Department would generate the documents, notarize and forward directly to the register of deeds. The cover letter would instruct the register of deeds to record the lien and return the original(s) to the City Attorney's office.</p>	<p>Because the CityView system was not capable of properly formatting the lien document, the E&CD staff generates the municipal lien using a template in Word. Once the department head signs and has the form notarized, the lien document is forwarded directly to the register of deeds. The notarized document is scanned into the CityView system and abatement amounts are manually entered into CityView for tracking purpose. The register of deeds typically forwards the recorded lien to the City Attorney's Office.</p>
<p>6 We recommended the Code Enforcement Division develop a process to track cost of abatements by property address/tax map number to ensure once the City expends over the minimum criteria a municipal lien is recorded.</p>	<p>The division tracks abatements by property address using an excel spreadsheet. As stated in the status of recommendation #5, the liens are recorded regardless of minimum criteria in August of each year. However, our review indicated discrepancies in the new procedure resulting in unrecorded liens. E&CD Department was provided the auditor's work papers to facilitate corrections.</p>

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