



**CITY OF KILLEEN**

**CODE ENFORCEMENT LIENS AUDIT**  
**City Slowly Leans Forward on Lien Collections**

Audit Report #21-02

**A Report to the City of Killeen Audit Committee**

Committee Chair	Rick Williams
Committee Members	Jose Segarra
	Ken Wilkerson
	Jack Ralston
	Bob Blair

**Prepared by**

The Internal Audit Department  
Matthew Grady, City Auditor  
August 2021

# EXECUTIVE SUMMARY



## AUDIT REPORT HIGHLIGHTS

### Why Was This Audit Conducted?

The City Auditor proposed this audit to the Audit Committee as part of an ongoing focus on the City's various revenue streams.

The City Auditor appreciates the cooperation of Code Enforcement, Planning, and City Attorney staff in the completion of this audit.

## Code Enforcement Liens Audit

Mayor and Council,

I am pleased to present this audit of Code Enforcement Liens.

### Audit Objectives

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The objectives of the audit were to (1) perform a snapshot analysis of all Code Enforcement open liens; (2) evaluate Code Enforcement's lien collection process to identify opportunities to strengthen collection efforts, and (3) evaluate the City's efforts to convert lien-encumbered abandoned properties to productive use.

### Audit Results

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The City Auditor found slow, but steady progress in improving the efficiency and effectiveness of the lien collection process, beginning with the creation of the Lien Specialist position in FY 2013. Those improvements aside, longstanding challenges remain. Total Code Enforcement liens outstanding as of December 2020 stood at about 3,000, with a collective value of about \$1 million. The body of outstanding liens reflected a spectrum of cases that included aged-out cases dating back to the early 1990s, one-time offenders with minor violations, and serial offenders, who have amassed dozens of liens, on multiple properties, in the thousands of dollars from recurring code violations. Addressing the varied subsets can best be accomplished through a multi-pronged approach that includes implementing a policy for writing off uncollectable liens, strengthening policy and legislation to deter would-be serial offenders, and implementing a targeted lien amnesty program to encourage low-level offenders to bring themselves into compliance. Finally, the City has spent over \$300,000 in the past decade maintaining dozens of lien-encumbered, tax-delinquent abandoned properties, many of them located in the City's Downtown Revitalization Zone. Since the County has so far not shown an inclination to foreclose upon the properties for sale at public auction, management should consider feasible options for acquiring the properties and converting them to productive use.

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## **INTRODUCTION**

The City Auditor conducted this performance audit of Code Enforcement Liens pursuant to Article III, Chapter 40 of the City Charter, as Amended May 11, 2013, and in accordance with the City Auditor's Annual Audit Plan, approved by the Audit Committee on June 4, 2020.

The objectives of the audit were to (1) perform a snapshot analysis of all Code Enforcement open liens; (2) evaluate Code Enforcement's lien collection process to identify opportunities to strengthen collection efforts, and (3) evaluate the City's efforts to convert lien-encumbered abandoned properties to productive use.

The scope of the audit focused on lien collection activities from FY 2018 through June 30, 2021, but also included a review of historical data related to open liens.

### **Background**

The Code Enforcement Department's mission touches upon areas of public health, environment, and aesthetics that can have an immediate impact on the quality of life for the City's residents. Clean-up of trash-filled sites, demolition of unsafe structures, and prevention of fires and accidents through the control of unchecked growth in vegetation all fall within the purview of Code Enforcement.

Code Enforcement has several tools at its disposal, both civil and criminal to enforce the City's Code of Ordinances. On the civil end, one of those tools is the property lien, which attaches to the property as collateral on debts arising from unpaid abatement bills. Under Chapter 18, Section 18-45 of the Code of Ordinances, Code Enforcement officials are authorized to file a lien against a property when its property owner fails to reimburse the City for its abatement efforts in a timely manner. Abatement refers to whatever actions the City must take to bring a property owner's property into compliance, be it mowing, trash removal, demolition, etc.

#### *How do liens come about?*

The filing of a lien is one of several possible outcomes in a process that begins with a Code Enforcement notice of violation. Typically, Code Enforcement responses arise from a citizen complaint. However, Code Enforcement Officers may also identify violations and issue violation

notices in the course of routine patrols. While there are a number of code violations listed under Chapters 8 and 18 of the City's Code of Ordinances, those most often noted on the list of open liens obtained for this audit, included *High Weeds, Grass, or Brush*; *Care of Premises*; *Dangerous Buildings or Structures*; and *Trash and Debris*. A brief description of each follows.

*High Weeds, Grass, or Brush*: Chapter 18, Section 18-21 states "...it shall be unlawful for any owner, lessee, occupant or person in control of a lot, parcel of land, or premise to allow the accumulation of high weeds, grass, or brush..." In most instances, 12 inches is the designated height limit for weeds and grass, although in some areas, heights of up to 48 inches are permitted. Violations of these standards pose both a fire hazard and a potential health risk for unwitting individuals, who may encounter dangerous objects or wildlife concealed by the high grass.



Source: Internet

*Care of Premises*: Chapter 18, Section 18-27 states that "it shall be unlawful for any owner, lessee, occupant, or person in control of any lot, parcel of land, or premise within the city limits to utilize such property for open storage..." This includes: (1) abandoned vehicles, (2) abandoned appliances, (3) supplies and materials, and (4) vegetation, e.g., dead trees, limbs, brush, or weeds. Violations such as these create an undesirable physical environment and pose potential health risks from hazardous materials. In addition, accumulated vegetation, as with high weeds and grass poses a fire hazard.



Source: Internet

*Dangerous or Unsafe Buildings or Other Structures: Chapter 8, Section 8-371 defines dangerous buildings and structures as those meeting one or more criteria listed under this section, including "...dilapidated, substandard or unfit for human habitation and a hazard to the public health, safety and welfare. ..." Section 8-382 states that "in any case where more than 50 percent of a building or structure is damaged, decayed or deteriorated, it shall be ordered demolished or removed..."*



Source: Internet

*Trash and Debris: Chapter 18, Section 18-23 states that "it shall be unlawful for any owner, lessee, occupant, or person in control of any lot, parcel of land, or premise within the city limits to allow the accumulation of any litter, trash, or rubbish..." Like Care of Premises, violations such as these create an undesirable physical environment and are considered both a health risk and fire hazard.*



Source: Internet

Once property owners receive notice of a violation, they have seven days to address the issue. If they fail to do so, Code Enforcement may obtain an administrative warrant to gain access to the property and hire a contractor to remedy the violation, a process referred to as "abatement."<sup>1</sup>

Code Enforcement pays the contractor and then bills the property owner to reimburse the City for the services provided. The property owner has 30 days to respond, after which the City may file a lien with Bell County against the property to secure the debt. Payment required

<sup>1</sup> An administrative warrant allows for the inspection of property by a fire marshal, health officer, or code enforcement official for the purposes of identifying a fire or health hazard, or unsafe building condition. It does not allow for the seizure of persons or property.

to release the lien usually includes the original amount billed, an administrative filing fee, and any interest incurred.<sup>2</sup> If the property owner fails to pay and allows code violations to persist, the cycle will repeat itself, potentially resulting in multiple liens against the property.



<sup>2</sup> Texas Health and Safety Code, Section 342.007 (c) – defines a lien as “...security for the expenditures made and interest accruing at the rate of 10 percent on the amount due from the date of payment by the municipality.”

### *Creation and Evolution of the Lien Specialist Position*

Prior to FY 2013, lien collection was performed as a collateral duty by Code Enforcement and in some cases Community Development staff.<sup>3</sup> In FY 2013, management created a full-time Lien Specialist position to consolidate all lien collections and to address the backlog of outstanding liens. The Lien Specialist position was initially housed in Community Development, then moved briefly to the Finance Department before it was transferred to Code Enforcement in FY 2019, where it currently resides.

From the time of its inception, the Lien Specialist position's scope of work has gradually expanded. At first narrowly confined to reducing the backlog of outstanding liens, the position has slowly evolved into a "one-stop-shop" for all billing and collections activity related to Code Enforcement abatement. This includes billing property owners for abatement of code violations, recording liens on past due billings, conducting research on property owners' addresses for rental or abandoned property, developing templates to streamline daily operations, and finally, coordinating with Bell County officials on tax-foreclosure sales for the purpose of collecting on lien-encumbered properties sold at public auction.

### *Sale of Tax Foreclosed Abandoned Properties*

In some cases, properties with unpaid Code Enforcement liens are also delinquent in property taxes. When and if the County chooses to foreclose on a property for unpaid taxes and sell it at public auction, the City may request that its claim for unpaid liens be included in the court-ordered judgment, with the caveat that delinquent taxes would take priority over the City's liens. Depending on the amount of proceeds generated from the sale, the City may receive some, all, or none of its claim. However, regardless of whether the City receives any money from the sale, the liens are considered extinguished if they are included in the judgment. For that reason, the City may choose to exclude its claim from the judgment if it feels it may not recover any funds from the sale, thereby leaving open the option for collecting on the outstanding liens from the new property owner.

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<sup>3</sup> While Code Enforcement handled most liens, Community Development handled demolition liens paid for with Housing and Urban Development Community Development Block Grant (CDBG) grant funds. Any reimbursements received from property owners were accounted for as program income under the grants.

## **Statement of Compliance with Audit Standards**

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. Those standards also require that we, as internal auditors, meet the criteria for independence. We believe that we met those independence standards, and that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

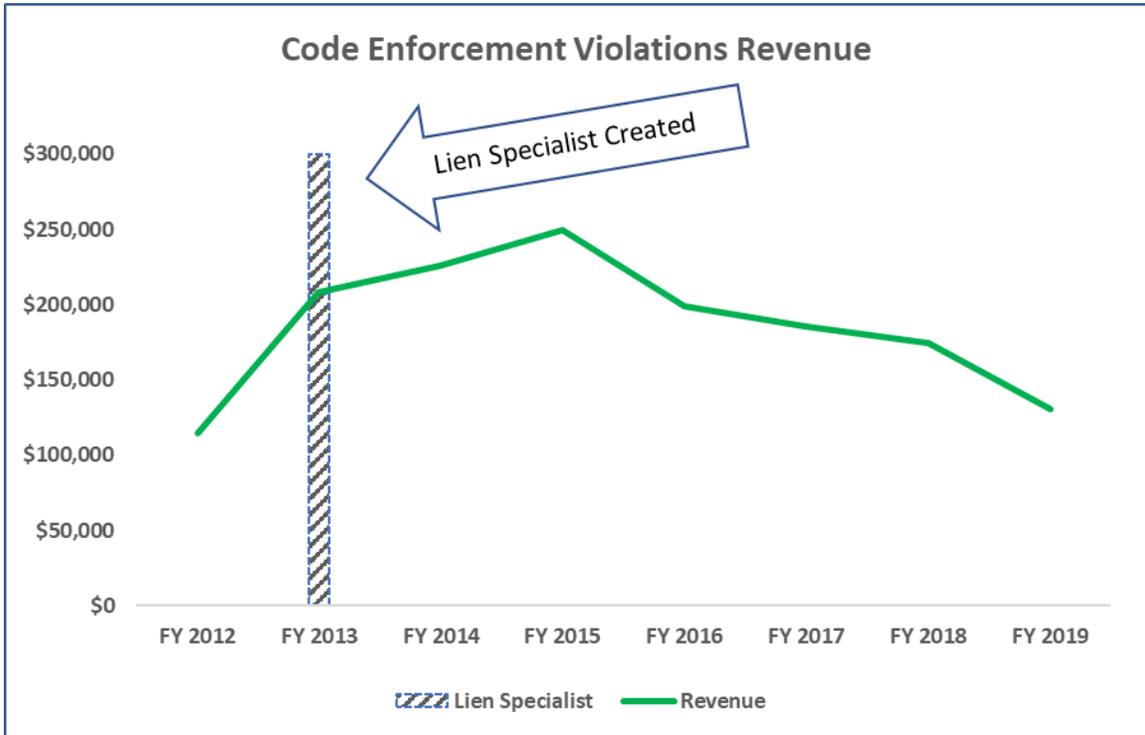
## FINDINGS AND RECOMMENDATIONS

**The City Auditor's review of Code Enforcement Liens found steady progress in the lien collection process, tempered by longstanding challenges that will need to be addressed through enhanced policy and legislation.**

Management's creation of the Lien Specialist position in FY 2013, marked the beginning of a period of slow, but steady progress in improving both the effectiveness and efficiency of its lien collection process; however, longstanding challenges persist. Outstanding Code Enforcement liens in December 2020 numbered about 3,000, with a collective value of about \$1 million. The body of open liens reflected a wide spectrum of cases, including aged-out uncollectable accounts, some dating back to the early 1990s, one-time offenders with minor violations, and serial offenders, some of whom have amassed dozens of liens, on multiple properties, in the thousands of dollars for recurring code violations. The varied subsets that make up the body of outstanding liens suggests the need for a multi-pronged approach to reduce the caseload, including stiffer penalties to deter would-be serial scofflaws, developing a process for writing off uncollectable liens, and designing an amnesty program targeting low-level offenders. Finally, the City has spent more than \$300,000 over the past decade maintaining dozens of lien-encumbered, tax-delinquent, abandoned properties, many of them in the City's Downtown Revitalization Zone. Since the County has thus far not shown an inclination to foreclose upon these properties, management should assess feasible options for acquiring and land-banking the properties to convert them to productive use.

The creation of the Lien Specialist position in FY 2013 marked a shift in management's approach to Code Enforcement liens from that of a departmentally dispersed, collateral duty to a dedicated full-time position. Creation of the position coincided with a substantial increase in revenue from Code Enforcement violations, which more than doubled from FY 2012 to FY 2015, going from \$108K to \$250K, respectively before leveling off in FY 2016. Since the number of liens filed has remained relatively constant, it is reasonable to conclude that it was the Lien Specialist's initial focus on reducing the backlog of open liens that caused the rise in revenue.

In addition, the Lien Specialist developed and implemented processes that were not previously in place, including creating templates to standardize and streamline billing and collection, conducting internet research to find mailing addresses for absentee landowners, and monitoring tax foreclosure sales to identify and pursue collection on lien-encumbered properties sold at public auction.



Source: Annual Budgets

Despite the early successes following the creation of the Lien Specialist position, revenue began to level off after peaking in FY 2015, as shown in the chart above. Although it has remained above its pre-Lien Specialist level, the tapering off suggests that after exhausting the pool of property owners willing and able to pay off their outstanding liens, additional measures may be required to continue to reduce the remaining backlog of outstanding liens.

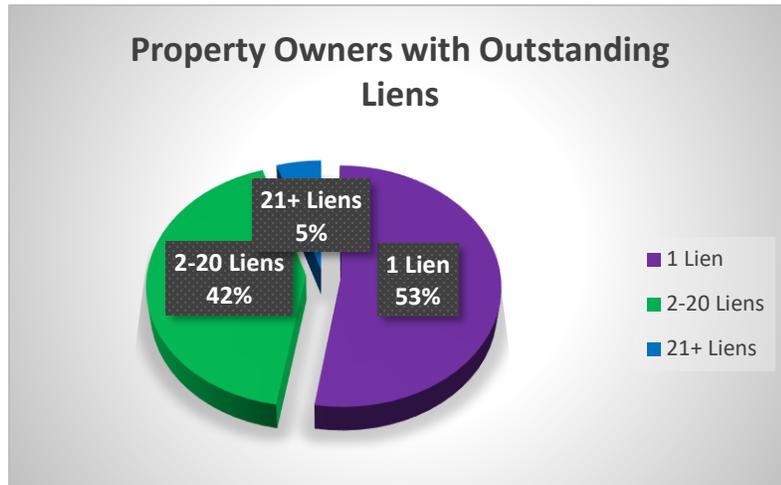
**Liens: By the Numbers**

The number of liens outstanding as of December 8, 2020, was about 3,000 with a collective value of roughly \$1 million, not including

interest charges accumulated on balances due.<sup>4</sup> The age of the outstanding liens ranged from 13 days to nearly 3 decades, with some liens dating back to the early 1990s.

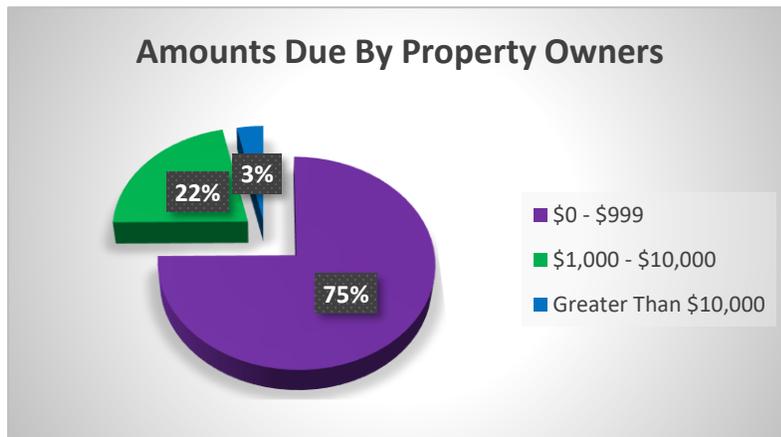
We noted 777 separate properties with outstanding liens, owned by 649 property owners, some of whom owned more than one property. Of those 649 property owners, 341 (53 percent) had a single

outstanding lien on their respective properties, while 308 (47 percent) had more than one lien. Of the 308 property owners with more than one outstanding lien, 276 (42 percent) had between 2 and 20 outstanding liens. The



remaining 32 property owners (5 percent) had 21 or more outstanding liens, and 4 of those had more than 50 liens against their respective properties.

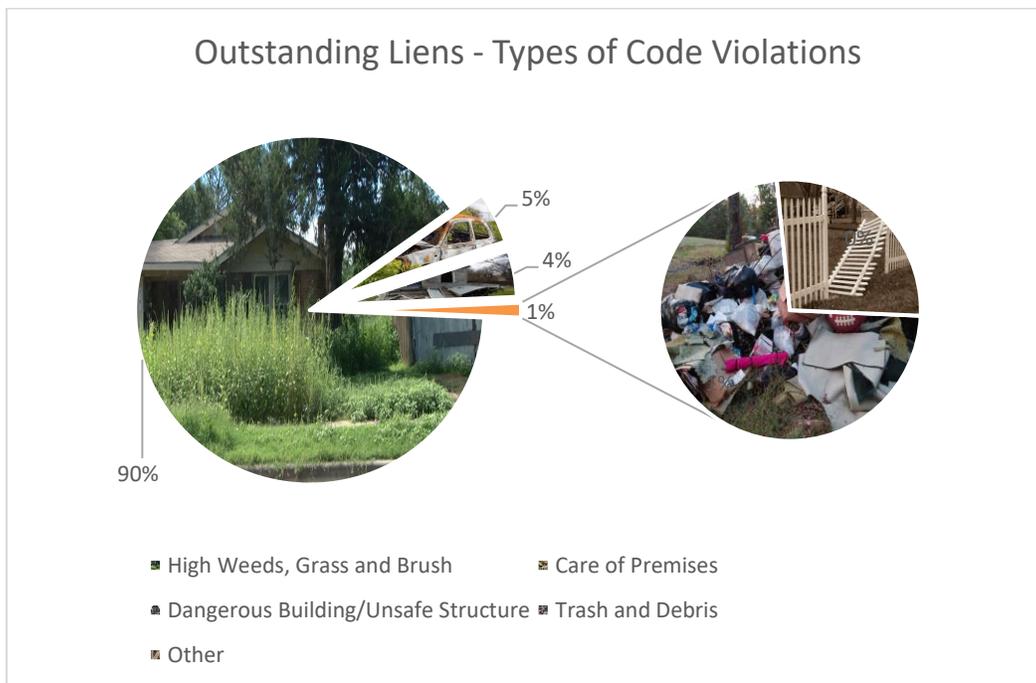
Total amounts owed by property owners, again not including interest on past due balances ranged from a low of \$50 to a high of \$19,700. Of the 649 property owners with open liens, 486 (75 percent) had amounts due of less than \$1,000, and 141



(22 percent) owed between \$1,000 and \$10,000. The remaining 22 (3 percent) owed more than \$10,000.

<sup>4</sup> Code Enforcement’s module for entering and tracking liens does not calculate accrued interest. Instead, the Lien Specialist calculates total interest accrued at the time of pay-off.

Of the total liens outstanding at the time of audit fieldwork, the overwhelming majority, 90 percent, were for the City’s abatement of violations under Chapter 18, Section 18-21, *High Weeds, Grass and Brush*. Violations under Chapter 18, Section 18-27, *Care of Premises*, accounted for 5 percent of the outstanding liens. Violations under Chapter 8, Section 371, *Dangerous or Unsafe Buildings or Structures*, which typically results in demolition accounted for 4 percent of the liens. The remaining 1 percent included violations under Chapter 18, Section 18-23, *Trash and Debris*, as well as several liens related to Chapter 8 violations pertaining to swimming pool maintenance and fence maintenance.



Source: Code Enforcement

The body of outstanding liens reflects a wide spectrum of cases that includes decades-old liens, some of which are likely uncollectable, one-time offenders with minor mowing liens, and serial scofflaws with multiple liens, in the thousands of dollars. The varied nature of the backlog suggests the need for a multi-pronged approach to reduce the number of outstanding liens that includes write-offs of uncollectable accounts, stiffer penalties for repeat offenders, and a limited amnesty program to bring in low level offenders.

## **Writing Off Uncollectable Liens**

The City currently has no process for writing off uncollectable debts associated with its outstanding liens. As previously mentioned, the City has outstanding liens dating back to the early 1990s, some of them attached to vacant lots, long since abandoned that have come under the City's care. Even if the properties are eventually sold at public auction, whatever proceeds are generated will likely be insufficient to cover the City's claims.<sup>5</sup> While the City has not conducted a formal analysis of the collectability of its outstanding liens, the Lien Specialist estimates the uncollectable debt at about 40 percent of the total outstanding debt.

The City does have a process for waiving liens. In FY 2017, City Council approved Resolution 17-55, which allowed for the waiver of liens on foreclosed properties that failed to sell at public auction. The purpose of the legislation was twofold: (1) to help convert dormant properties to income-producing assets, and (2) to relieve the City of the financial burden of having to maintain the properties.

While the lien waiver policy has been successful in moving some dormant properties, it is narrowly focused and circumstance-driven, as opposed to analysis-driven. In order to arrive at a more accurate picture of the potential revenue from the City's outstanding liens, management should develop and implement a policy for assessing the collectability of its outstanding liens on a routine basis and writing off any debts determined to be uncollectable.

## **Escalation of Enforcement Efforts**

Code Enforcement has an unwritten policy for escalating enforcement efforts for repeat offenders through the issuance of citations, as authorized under the Code of Ordinances, Chapter 18, Section 18-46. The process is usually initiated by the Lien Specialist, who will make a notation in the system that a particular property with outstanding liens

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<sup>5</sup> Texas Tax Code Section 34.02 – Distribution of Proceeds states that proceeds must first be applied in the following order before inferior claims, such as City liens can be satisfied: (1) the costs of advertising the tax sale; (2) any fees ordered by the judgment to be paid to an appointed attorney ad litem; (3) the original court costs payable to the clerk of the court; (4) the fees and commissions payable to the officer conducting the sale; (5) the expenses incurred by a taxing unit in determining necessary parties and in procuring necessary legal descriptions of the property if those expenses were awarded to the taxing unit... ; (6) the taxes, penalties, interest, and attorney's fees that are due under the judgment; (7) any other amount awarded to a taxing unit the judgment.

should be cited. The Code Enforcement Officer will then be prompted when and if they enter the address in the system to initiate another violation.

Unlike a property lien, which is a civil action, a citation is a criminal offense, and like traffic and animal control citations, Code Enforcement citations must be adjudicated by Municipal Court. The process may result in criminal fines, and while the Court does not collect on outstanding liens, the Judge can order the defendant to pay the City for any amounts due. Ultimately, the citation could result in the issuance of an arrest warrant if the defendant fails to appear for their hearing.

However, the policy is not consistently applied. While some repeat offenders are cited, others are not, including some property owners with dozens of outstanding liens, totaling thousands of dollars. Further, the criteria are not clearly defined as to what constitutes a repeat offender under the policy. According to the Code, a property owner with more than one violation within a 12-month period can be issued a citation. If the City intends a more liberal interpretation, then it should be clarified in a written policy and acted on in a consistent manner.

Finally, there is no procedural mechanism in place to “close the loop” when a Code Enforcement Officer issues a citation to ensure that the Lien Specialist is informed. This is important because it will be incumbent upon the Lien Specialist to inform the Court of any outstanding liens when the case comes to trial.

### **Code Enforcement Scofflaw Provisions**

The State uses the term, “scofflaw” in reference to its Vehicle Registration Denial Program, wherein a county assessor-collector or the Department of Motor Vehicles “*may refuse to register a motor vehicle if... the owner of the vehicle has an outstanding warrant from that municipality for failure to appear or failure to pay a fine on a complaint that involves the violation of a traffic law.*”<sup>6</sup> The State program serves as an example of the denial of a service for individuals with outstanding debts arising from past violations of the law, in this case traffic violations.

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<sup>6</sup> “Scofflaw” is a noun coined during the Prohibition era that refers to someone who mocks or ridicules anti-drinking laws, but it has been expanded to mean someone who flouts any law, especially those difficult to enforce.

The City currently has no scofflaw provisions in its Code of Ordinances that would allow for the withholding of building permits for individuals with outstanding debts arising from Code Enforcement violations. As a result, property owners can accumulate unpaid liens without limit and still benefit from the approval and issuance of building permits. While such provisions are not common at the local government level, there are at least two municipalities in the state — Brownwood and Colleyville — that allow for the withholding of building permits for individuals with outstanding debts.

The City Auditor compared a report of permits issued by Building Inspections from October 2019 through March 2021 with the list of open Code Enforcement liens. The analysis revealed 76 instances, in which permits were issued for properties with outstanding liens. The liens, which were mostly for *High Weeds, Grass and Brush* had a collective value of just over \$100,000, not including accrued interest. The reasons for the permit requests included reroofing, remodeling, demolition, solar panels, plumbing, and water heater replacement.

It should be noted that Code Enforcement's permit module prompts the Building Permit Clerk if there are open liens associated with the address for which a permit is being requested. However, because there are no provisions in the City's Code of Ordinances to withhold the issuance of permits under such circumstances, the prompts are not acted upon.

Finally, building permits are an important source of revenue for the City and are necessary to maintain or improve the quality of life for its residents. The purpose of scofflaw provisions would not be to deny permits, but rather to provide a level of accountability for property owners who routinely violate Code Enforcement regulations and cause the City to expend its resources to bring their properties into compliance.

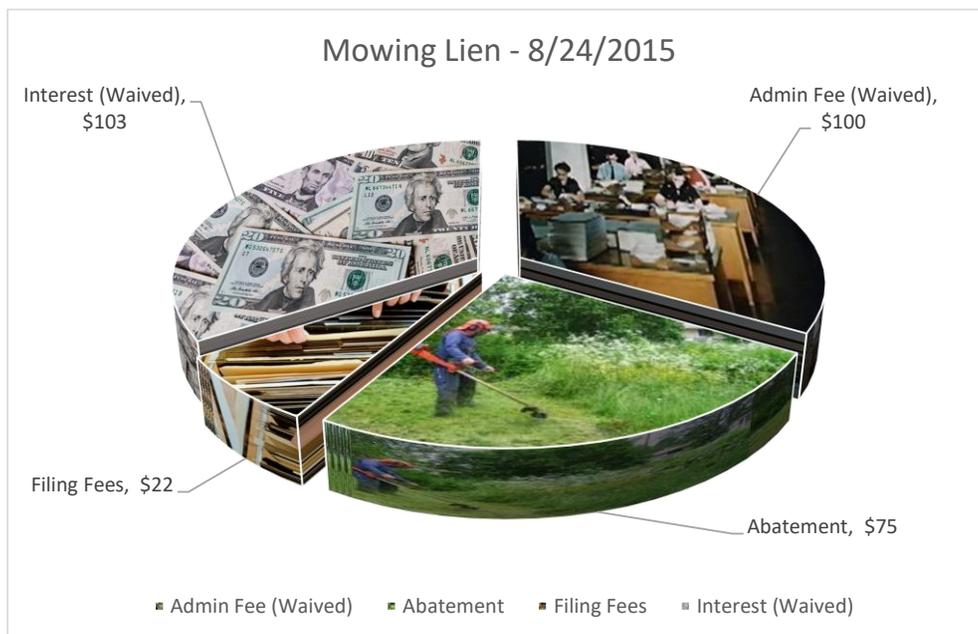
### **Lien Amnesty Program**

A number of cities and counties across the country have implemented lien amnesty programs in recent years to encourage property owners with outstanding liens to bring themselves into compliance. Typically, these programs will offer the elimination or a reduction in accrued interest and administrative fees. Accrued interest can be significant, especially on older liens sometimes more than doubling the lien pay-off amount. Most lien amnesty programs still require payment for the city or county's out-of-pocket expenses for abatement and lien filing.

The city of Mission City, Texas, for example implemented an amnesty program in FY 2019 targeting mowing liens for high grass and weeds violations. Based on the success of its initial program, the City offered the program again in FY 2020. The back-to-back programs waived just over \$100,000 in interest and fees, brought in approximately \$80,000 in revenue and reduced the City’s backlog of outstanding liens by nearly 400 cases, according to their Finance Director. The City’s reported backlog of outstanding liens was about 1,000, so the reduction was significant.

As previously mentioned, the overwhelming majority of Killeen’s outstanding liens are for *High Weeds, Grass and Brush* violations, and most of those are one-time offenses. The average abatement cost per violation for the roughly 2800 outstanding mowing liens was \$83. The filing fees for liens have fluctuated over the years, but currently total \$22, which includes an \$11 filing fee the City pays the County to record the lien, and another \$11 fee to release the lien when it is paid off. The abatement cost and filing fees comprise the “out-of-pocket” costs associated with Code Enforcement liens, and it is these costs that typically are not waived under an amnesty program.

For example, the chart below shows the components of a City mowing lien filed on August 24, 2015, including the accumulated interest payment calculated as of July 1, 2021.



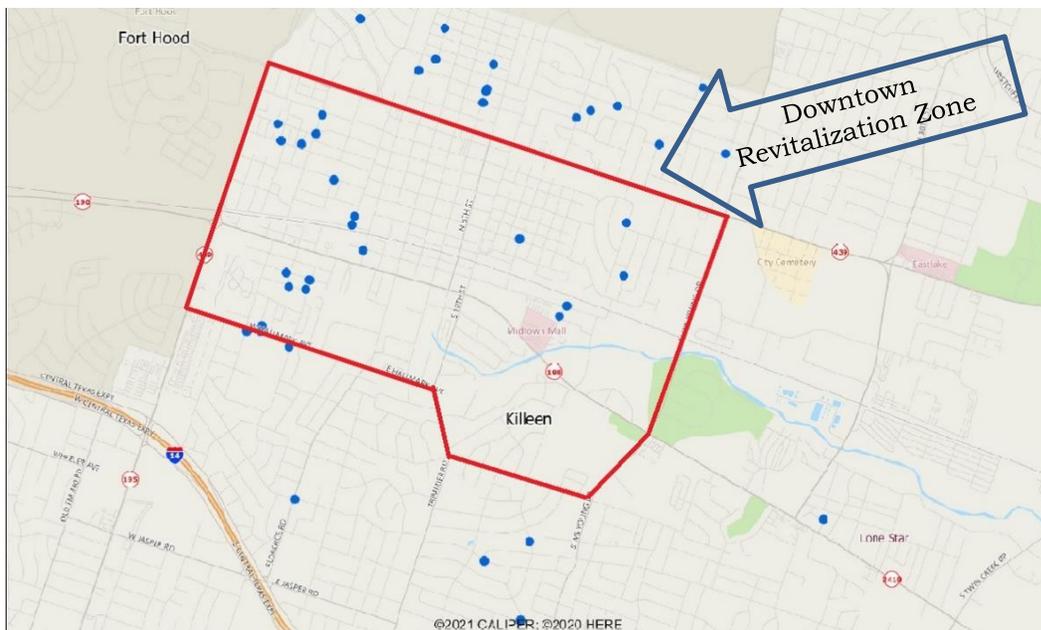
Source: Code Enforcement

Under an amnesty program the total pay-off amount of \$300 could be reduced by waiving both the interest and admin fees, totaling \$203, leaving a balance due of \$97 for the out-of-pocket abatement and lien filing costs incurred by the City.

Amnesty programs are usually not ongoing, but rather are offered for a specific time-period. Typically, they run about six months, although Portland, Oregon was on the short end at six weeks. Seminole County, Florida, on the other hand extended their 2020, six-month program due to the restrictions imposed by the Covid-19 pandemic.

### **Abandoned Lien-Encumbered Properties**

Finally, one of the collateral impacts of outstanding liens is the issue of abandoned properties. At the time of audit fieldwork, there were 64 such properties under the City's care, many within the City's Downtown Revitalization Zone.



Source: Code Enforcement

These are mostly vacant lots, usually resulting from the demolition of unsafe houses or other structures. In some cases, the property owners have passed on without heirs willing or able to take the property. In others, the owners have simply walked away from the lien-encumbered, tax delinquent properties. The lots collectively comprise just over 14 acres of mostly residential space, with lot sizes ranging from 3,120 square feet to 50,788 square feet.

The abandoned properties have a dual impact on the City financially. They are non-income producing, and the City must consume resources to maintain the properties in accordance with the City codes, mostly in the form of mowing high grass and weeds. In total, the City has spent over \$300,000 in the past decade maintaining the properties, several of which are shown below.



As previously mentioned, the County is responsible for foreclosing on tax delinquent properties within the County limits. The County's priority is to collect as many delinquent tax dollars as quickly as possible on behalf of the City and the other taxing entities. Since

vacant lots, especially smaller lots may not fall within the County's priority parameters, the lots could and indeed have remained in their abandoned status, in some cases more than a decade. In the absence of proactive steps taken by the City, these lots could potentially remain in their abandoned status, under the City's care indefinitely.

### *Land Bank Program*

The Center for Community Progress defines a land bank as "governmental entities or nonprofit corporations that are focused on the conversion of vacant, abandoned and tax delinquent properties into productive use." The City of Waco has one of the region's more comprehensive land bank programs, which it established in FY 2013. According to Waco's Program Asset Manager, who manages the program, the City had acquired and sold over 800 properties in its first four years.

While there are many moving parts to the program, at its core is a Memorandum of Understanding (MOU) between the City, McLennan County and the Waco Independent School District (WISD). The MOU provides that Waco takes title to foreclosed properties that fail to sell at the County's public auction "for the use and benefit of itself, the County and WISD." Lots that do not lend themselves to development can be repurposed as open space, pocket parks, etc.

According to City staff, Killeen had conducted research on the potential development of a land bank program several years prior. However, no decision was made at that time to develop such a program, given the resources required. Indeed, the City's relatively modest inventory of eligible properties compared to that of Waco's suggests that dedicating resources for a full-scale program would not be cost effective. However, this should not preclude management from pursuing alternative options that would allow the City to pursue the acquisition and land-banking of abandoned properties on an ad hoc basis, as resources permit.

**Recommendations:**

The City Auditor Recommends that the Executive Director of Development Services:

1. Develop and implement a write-off policy for outstanding liens determined to be uncollectable.
2. Formalize and clarify the current unwritten policy on the escalation of collection activities through the issuance of citations for repeat offenders.
3. Establish a working group(s) to review lien-related programmatic and legislative enhancements, including (1) incorporating scofflaw provisions into the Code of Ordinances to allow for the withholding of building permits for property owners with outstanding liens, (2) designing and implementing a limited lien amnesty program, and (3) exploring feasible options for converting the City's inventory of abandoned properties to product use.

## **VIEWS OF RESPONSIBLE OFFICIALS**

Copies of the draft report were provided to the Executive Director of Development Services and the Code Enforcement Lien Specialist for review and comment. They agreed with the findings and recommendations, and provided valuable input, which is reflected throughout this report.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

### **Objectives**

The objectives of the audit were to (1) perform a snapshot analysis of all Code Enforcement open liens; (2) evaluate Code Enforcement's lien collection process to identify opportunities to strengthen collection efforts, and (3) evaluate the City's efforts to convert lien-encumbered abandoned properties to productive use.

### **Scope and Methodology**

The scope of the audit focused on lien collection activities from FY 2018 through June 30, 2021, but also included a review of historical data related to open liens.

To address the audit objectives, the City Auditor:

- ▶ Interviewed key personnel, including the Lien Specialist; Clerk Supervisor; Executive Director for Community Development; Executive Director of Municipal Court; and Deputy City Attorney. In addition, spoke to the Asset Program Manager, Waco, TX; Finance Director, Mission City, TX; and Code Enforcement Supervisor, Winter Haven, FL.
- ▶ Conducted research on lien amnesty programs and land bank programs.
- ▶ Obtained and analyzed budget data related to Code Enforcement violation revenue.
- ▶ Obtained and analyzed listings of open liens.
- ▶ Obtained a listing of tax delinquent, abandoned properties with outstanding liens and verified on the Bell County Tax Appraisal District website.
- ▶ Verified and photographed select abandoned properties.

## **Statement of Compliance with Audit Standards**

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. Those standards also require that we, as internal auditors, meet the criteria for independence. We believe that we met those independence standards, and that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.