



Bernalillo County Assessor's Office
Internal Audit

November 2018

Bernalillo County Internal Audit Assessor's Office

Executive Summary

SUMMARY OF PROCEDURES

REDW performed an internal audit of the Bernalillo County Assessor's Office. Our internal audit focused on evaluating internal controls over annual assessments to ensure increases in tax values did not exceed 3% in accordance with State Statute, Notice of Values were mailed timely, new construction was placed on the tax rolls and assessments occurred timely, and transfers in ownership were entered in the system timely and appropriately assessed. In addition, we assessed current controls in place regarding how mobile homes are added, removed and taxed in Bernalillo County. We tested to determine if access to the software, iasWorld, was appropriate based on current roles, terminated employees no longer had access to the system, and users with administrative rights did not apply inappropriate exemptions to their accounts. Lastly, we tested to determine annual reports and operating budgets were presented to and approved by County Commissioners in accordance with State Statute requirements.

We performed the following procedures:

- ◆ Gained an understanding of the assessment process by interviewing relevant personnel, reading policies and procedures, and relevant State Statutes.
- ◆ Tested a sample of building permits to determine if value changes were properly assessed and updated in a timely manner.
- ◆ Tested a sample of annual assessments to verify that any updates to values were done in accordance with relevant State Statutes and in a timely manner.
- ◆ Tested a sample of transfers of ownership to verify the receipt of a document of conveyance and that updates in the system were done in accordance with relevant State Statutes and in a timely manner.
- ◆ Tested a sample of parcels updated as part of the Canvassing Project to ensure that updates in iasWorld matched source documents, had the proper authorizations, and that quality control checks were performed consistently.
- ◆ Interviewed the Manufactured Homes Department Supervisor to gain an understanding of the risks and evaluate current controls in place regarding the additional and removal of manufactured homes to and from the property tax records.

- ◆ Tested that administrative functions in iasWorld were restricted to the appropriate personnel, terminated employees' accounts were inactive or locked, employees with administrative rights did not apply inappropriate property tax exemptions to their personal accounts, and audit trails in the system were turned on.
- ◆ Determined if reporting of the operating budget and annual report, as required by NMSA 7-36-16.E, was completed by the Assessor and that the annual report appeared to contain all the necessary sections. In addition, we tested to determine that it was approved by a majority of the Commissioners.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

During the course of the audit we identified areas which appeared to be functioning properly, most noticeably were the areas related to transfer of ownerships and related assessments occurring timely and being reviewed appropriately. In addition, it appears that new construction projects are added to the tax rolls, assessed on a timely basis, and quality control reviews are occurring. In addition, new aerial imaging technology has been obtained to assist with valuations when property owners refuse entry. Lastly, annual reporting requirements by NMSA 7-36-16.E appear to be met and reports provided to Commissioners appear to contain relevant information as required by the Statute.

As a result of our testing, the following high and moderate risk observations were identified:

- 1) **Systems Access Reviews:** There were 10 instances identified where terminated employee's system access to iasWorld remained active. The Assessor's Office should implement formal system access reviews on at least a quarterly basis to ensure that systems access is appropriate based on job function and current employee listings. In addition, a process should be implemented to remove an employee's system access at the time of termination.

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Further detail of our purpose, objectives, scope, and procedures are included in the internal audit report.

We received excellent cooperation and assistance from the Assessor's Office during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
February 17, 2019

Bernalillo County Internal Audit Assessor's Office

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Bernalillo County Internal Audit Assessor's Office Report

INTRODUCTION

We performed the internal audit services described below solely to assist the Bernalillo County Assessor's Office in evaluating the controls and oversight related to assessment of property. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants (AICPA) and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

An entrance conference was held on October 19, 2018, and fieldwork began November 5, 2018. An exit conference was held on December 20, 2018.

PURPOSE AND OBJECTIVES

REDW performed an internal audit of the Bernalillo County Assessor's Office. Our internal audit focused on evaluating internal controls over annual assessments to ensure increases in tax values did not exceed 3% in accordance with State Statute, Notice of Values were mailed timely, new construction was placed on the tax rolls and assessments occurred timely, and transfers in ownership were entered in the system timely and appropriately assessed. In addition, we assessed current controls in place regarding how mobile homes are added, removed and taxed in Bernalillo County. We tested to determine if access to the software, iasWorld, was appropriate based on current roles, terminated employees no longer had access to the system, and users with administrative rights did not apply inappropriate exemptions to their accounts. Lastly, we tested to determine annual reports and operating budgets were presented to and approved by County Commissioners in accordance with State Statute requirements.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the controls and processes, we interviewed the following personnel:

- ◆ Bobby Espinosa, Deputy Assessor/Chief Information Officer of Appraisal Services
- ◆ Michelle Aguilar, Deputy Assessor/Chief Administrative Office of Information Services
- ◆ Tito Chacon, Assessment Manager
- ◆ Rocio Martinez, Manufactured Homes Supervisor

In order to gain an understanding of the processes we read relevant portions of:

- ◆ 2018 Property Valuation Maintenance Program and Annual Report.
- ◆ Bernalillo County Assessor's Office Policies and Procedures dated July 6, 2015.
- ◆ Relevant portions of the New Mexico Statutes Annotated 1978 Sections 7-36 through 7-38.

We performed the following testwork:

Transfers of Ownership: We obtained a listing of transfers of ownership processed from January 1, 2017 to December 31, 2017, and selected a sample of 100 parcels from a total population of 31,368. We tested to determine:

- ◆ Parcels were updated with new ownership information.
- ◆ Parcel updates occurred within 14 days of entry in iasWorld.

In addition, we also pulled one week of TransLogs and tested to determine that dual reviews took place by the Quality Control Department and any errors/corrections that were identified were re-reviewed for accuracy.

New Construction: We obtained a listing of new construction and improvements from January 1, 2017 to December 31, 2017, and selected a random sample of 60 parcels from a total population of 1,127 and tested to determine that:

- ◆ New construction was placed on the tax roll timely.
- ◆ An assessment was performed by an appraiser upon majority completion of the project.
- ◆ A Notice of Value was generated with the appropriate increases, if applicable.
- ◆ A review of the data entry took place by the Quality Control Department.
- ◆ Updates were completed within a reasonable timeframe.

Annual Assessments: We obtained a listing of all properties assessed from January 1, 2017 to December 31, 2017, and selected a random sample of 100 parcels out of approximately 250,000 to determine that annual assessments were completed in accordance with NMSA § 7-36-16 and did not exceed a 3% increase unless a change in ownership occurred. We also verified that the batch mailing of the annual Notice of Value was completed before April 1, 2018, in accordance with NMSA § 7-38-20.

Canvassing Project: We interviewed the Canvass Project Supervisor, to gain an understanding of the canvassing project and process. We randomly selected ten parcels from a total population of 71,247 canvassed from January 1, 2017 to December 31, 2017, and tested to determine:

- ◆ Source documents agreed to changes in iasWorld.
- ◆ Source documents were approved by the appropriate appraiser or Team Leader.
- ◆ A secondary review was completed by the Quality Control Department.
- ◆ Updates and reviews appeared to be completed within a reasonable timeframe.

Manufactured Homes: In order to gain an understanding and evaluate controls in place, we interviewed the Manufactured Homes Supervisor, regarding the addition and removal of mobile home properties from the tax roll and inherent challenges the department faces with regards to tax releases and tracking the movement of manufactured homes in and out of the County. Our recommendations for process improvement were provided in the detailed report below.

System Access Controls and User Accounts: We obtained a listing of current and terminated employees at the Assessor's Office for the years 2017 and 2018 from the Bernalillo County Human Resources Department, a listing of user roles in iasWorld from the IT Department as of November 2018, and an organizational chart from the Assessor's Office. We tested to determine if:

- ◆ Administrative rights were restricted to the appropriate personnel based on job function.
- ◆ System audit trails were currently turned on.
- ◆ Terminated employee accounts were designated as locked or inactive.

In addition, for all users with Administrative and Super Administrative rights, we tested to determine that exemptions claimed in iasWorld for their personal property profiles appeared reasonable.

Annual Reporting to Commissioners: We obtained the 2018 Property Valuation Maintenance Program and Annual Report and tested to determine:

- ◆ An annual report was prepared by the County Assessor and contained relevant sections in accordance with NMSA 7-36-16.E.
- ◆ The report was presented to and approved by the County Commissioners.
- ◆ An operating budget was presented to County Commissioners and budget line items appeared reasonable to support the needs of the Assessor's Office.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

During the course of the audit we identified areas which appeared to be functioning properly, most noticeably were the areas related to transfer of ownerships and related assessments occurring timely and being reviewed appropriately. In addition, it appears that new construction projects are added to the tax rolls, assessed on a timely basis, and quality control reviews are occurring. In addition, new aerial imaging technology has been obtained to assist with valuations when property owners refuse entry. Lastly, annual reporting requirements by NMSA 7-36-16.E

appear to be met and reports provided to Commissioners appear to contain relevant information as required by the Statute.

As a result of our testing, REDW identified the following observations:

1) System Access Reviews

The iasWorld system serves as the main software that the Assessor's Office utilizes to keep track of all data surrounding property valuations in Bernalillo County. There are several levels of access that can be granted based on job roles with the most extensive access being granted to the Administrator and Super Administrator roles. There are no periodic system access reviews in place for iasWorld. Our testing of current systems access in place identified 10 out of 33 terminated employees remained active at the time of our testing.

Potential Risk: Moderate—Terminated employees, especially those with remote access and/or administrator capabilities, could access the system and make unauthorized changes or override controls.

Recommendations: Management in the Assessor's Office should implement a formal system access review on a least a quarterly basis to ensure that systems access is appropriate based on job function and current employee listings. In addition, these reviews should be documented and reviewed. Finally, a process should be implemented to remove an employee's system access at the time of termination.

Management's Response: iasWorld is only accessible through desktop level as an authorized employee with the Bernalillo County Assessor's office or by virtual private network (VPN), granted by Bernalillo County IT Department, authorized by Bernalillo County Assessor Administration, and for this reason security risk was minimal to non-existent, and audit trails are in place. Once an employee has been terminated all internal Bernalillo County access is deactivated and therefore denied. Other level of security in place is locking the user from access to iasWorld, and this happens when a user has not used the system for a certain amount of days. We have limited the days from 60 to 30, and the only way to gain access is by contacting the administrator, authorized assigned County Assessor personnel.

Assessor Office agrees on the recommendation of a formal system for review of system users and access, as periodic reviews already do take place but are not documented. Terminated employee accounts are designated as locked due to inactivity, as explained and noted in above and under the Scope and Procedures Performed section of this audit, and all internal access is denied upon termination of employment with Bernalillo County. It should be noted that from June 2017 to as of present the Assessor's office has been without and/or intermittent without an IT Manager and the assigned duties have been disbursed between the Deputy Assessor/Chief Information Officer, County IT and the Assessor Assessment Manager. Upon careful review a procedure for management will be implemented and added to the policy and procedures for the Deputy Assessor/Chief Administrative Officer to inform the Deputy Assessor/CIO of an employee's termination and to actively deactivate and document, the terminated employee from the county assessor's Computer Assisted Mass Appraisal (CAMA) system.

2) Canvassing Project

Bernalillo County is currently in the process of conducting a county-wide canvassing project to assist in ensuring that all properties that should be on the tax rolls are and any

improvements/additions are captured and appropriately added to valuations. With the use of desktop review solution software, the canvass staff reviews properties with aerial imagery to verify or update the property data. The changes are then uploaded in to the CAMA (Computer Assisted Mass Appraisal) system to ensure fair and equitable assessments are established for each property. Once the information has been input, it is then reviewed by personnel at the Assessor's Office for accuracy. During our testing, we identified the following:

- ◆ One of 10 parcels tested had a discrepancy between the dwelling information in iasWorld and the dwelling information recorded in the field appraiser desktop software.
- ◆ One of 10 parcels tested had source documents that were not reviewed and signed off by Quality Control.

Risk Potential: Low—Failure to ensure that parcels are updated accurately and that appropriate source documentation is reviewed could result in incorrect data being input into the system which could result in incorrect valuations.

Recommendations: The Assessor's personnel should ensure that all information entered into iasWorld agrees to source documents and that all source documents are reviewed for accuracy by Quality Control. In the event that there are too many QC checks pending and not enough staff to assist, Assessor's personnel should consider verifying the edits based on risk (i.e. checking a new employee's edits or areas where more frequent errors are prevalent).

Management's Response: The discrepancy found for the parcel that was provided was on the square footage for an open porch with a difference of 6 square feet. The square footage of each improvement on a property is calculated manually by an appraiser, along with systematically by our Computer Assisted Mass Appraisal (CAMA) system as a means to cross check the data. If there is a significant difference between the two calculations that will affect the property's value, which was not the case with the audited parcel, the paperwork would be sent back to the appraiser for the appraiser to do an additional quality check of their calculations. The Assessor's Office utilizes standards set by the International Association of Assessing Officers and other appraisal resources to assist with inner office processes and procedures. No such standards are in place pertaining to differences in square footage, however, there is an internal process used by the Quality Control department to prevent possible errors from being entered. For tax year 2018, over 15 thousand parcels were reviewed and quality checked as part of the county-wide canvass project, with 10 of those parcels audited and one discrepancy found, with no effect to value, the office will continue to keep its internal processes in place to catch discrepancies in information that may affect property valuations.

The Quality Control department reviewed over 31 thousand parcels that had changes submitted for tax year 2018. Due to the amount of changes submitted on a yearly basis, additional staff have been added to ensure all changes are entered, reviewed, and signed off by the Quality Control department. The audit recommendations to address pending QC checks in the event of short staff will be considered. Although, the changes were entered and quality checked for the audited parcel without error, there was no sign off by Quality Control on this one source document.

PROCESS IMPROVEMENT OPPORTUNITIES

1) Mobile Home Tracking

It is the property owner's responsibility to notify the Assessor's Office when a mobile home is moved in or out of the County, but often times this does not happen and they are moved and without the appropriate tax release on file. Based on current issues facing the Assessor's Office, it is evident that educating property owners is of utmost importance to ensure that owners are aware of the important of submitting the correct documentation and obtaining the appropriate releases before moving their mobile homes. Below are some current processes in place as well as some process improvement suggestions for the tracking of Mobile homes:

- ◆ At the beginning of each assessment period, the Assessor's Office coordinates with the mobile home park property managers to schedule 1-2 informative sessions per park, *according to* assessment period for manufactured homes owners in both English and Spanish.
- ◆ Once session dates have been planned, we recommend partnering up with the Bernalillo County Marketing Specialist, or even someone at the Assessor's Office with relevant experience, to help develop marketing materials in both English and Spanish. Examples of current items being distributed include:
 - Pamphlets placed in mobile home park offices as well as the Assessor's Office.
 - Posters placed in mobile home park offices or near public spaces in these mobile home parks.
- ◆ In order to promote the most effective outreach, we recommend the Assessor's Office consider implementing the following:
 - Updated webpage, via the Assessor's Office, specifically dedicated to the Manufactured Homes Department.
 - During the canvass process, consider placing pamphlets on front doors, or mailing informative pamphlets out with the annual notices to ensure all residents receive the information as opposed to having information centralized at the property management office where it may not be seen.
- ◆ Lastly, we recommend the Assessor's Office work to develop reciprocity agreements with other Counties to ensure that as mobile homes are moved from one county to the next, each county is working to communicate with each other to keep records as accurate as possible.

2) Quality Control Review Documentation

Documentation of quality control reviews via TransLogs are currently done on a weekly basis. TransLogs serve as a tracking spreadsheet to show each parcel that was updated is checked for accuracy and reviewed. These logs are kept in paper format for two weeks and then are destroyed. We recommend that Assessor staff consider retaining these logs until the next annual assessment period occurs to ensure that documentation of review is maintained should any issues arise during the following assessment year.

3) Policy and Procedures Updating

During the course of our testing, we observed that the Bernalillo County Assessor's Office Policies and Procedures were last revised July 6, 2015. It appeared that some of the policies and procedures in place did not match the actual processes that are occurring. We recommend the Assessor staff conduct at a minimum, annual reviews of the policy and procedure manual to ensure that current policies and procedures in place are documented.

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This report is intended for the information and use of the Bernalillo County Assessor's Office, the audit committee, members of Bernalillo County Commission and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the Assessor's Office during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
February 17, 2019