



Internal Audit Report IA 14-02, Reserve Funds

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Background:

This audit involved an overview of all reserve funds accounted for by the Town of Westport, including those reserve funds accounted for by Westport Public Schools.

Objectives:

1. Document the associated funding policies, management processes, and reporting schedules
2. Review regulation and guidelines regarding municipal reserves to assess and compare our policies and processes
3. Identify any best practices on policy or controls of the reserves
4. Identify areas for improvement

Scope:

This audit involved an overview of all reserve funds accounted for by the Town of Westport, including those reserve funds accounted for by Westport Public Schools.

Methodology:

Meetings were conducted with Finance Department staff along with department heads to gain an overall understanding of how the Town of Westport manages and accounts for its reserve funds. Research was conducted to determine statutory requirements, industry guidelines, comparisons and best practices. Extensive use of the information contained within the Town of Westport's June 30, 2013 Comprehensive Annual Financial Report (CAFR) was used for analytical purposes.

Findings and Recommendations:

1. The Town of Westport should consider the adoption of a Debt Management Policy, in accordance with GFOA Best Practice Advisory – *Debt Management Policy (1995, 2003, and 2012)*.
2. Some of the funds in the town's escrow account (\$ 760k) may be subject to the State of CT's Unclaimed Property laws (C.G.S. Sec. 3-60, Sec. 3-64a., Sec. 3-65a and Sec. 3-65b.). The detail in this combined account should be reviewed to determine what should be reported/remitted to the State under this law.

3. Cafeteria Fund has a high fund balance (\$528k) at 6/30/2013. A closer review of the financial activity in this fund may be warranted to determine if costs are properly allocated.
4. The Adult and Continuing Education account has a deficit (-\$121k) at 6/30/2013. As this is intended to be a self-sustaining fund, the financial activity within this fund should be reviewed.

Overall Audit Results

- Westport is in compliance with GASB 54 (re Fund Accounting) and has adopted a policy designed to address compliance with the pronouncement.
- Westport might benefit from adopting further formal policies as recommended by GFOA Best Practice Advisories.