

TOWN OF WESTPORT
OFFICE OF THE INTERNAL AUDITOR



INTERNAL AUDIT REPORT

TAX ASSESSMENT, BILLING AND COLLECTION

IA 09-01

SEPTEMBER 10, 2009

(REVISED OCTOBER 21, 2009)

LETTER OF TRANSMITTAL

SEPTEMBER 10, 2009

CHAIRMAN MAYER AND MEMBERS OF THE TOWN OF WESTPORT'S BOARD OF FINANCE:

I respectfully submit the enclosed internal audit report entitled Tax Assessment, Billing and Collection. This audit was included in the Town of Westport's 2009-2010 Internal Audit Plan, April 1, 2009 – June 30, 2010.

This audit began with a series of interviews with personnel within the Tax Assessor's Office, the Tax Collector's Office, the Town Clerk's Office, Public Works and Information Technology. The timing of this audit was challenging for the departments involved, given the busyness of tax season and the pressures of year-end activities. Despite these critical demands, all Town personnel involved in this audit were cheerful, available and responsive to all inquiries.

It should be noted that fairly early in the course of this audit, the individual employed as the Town's Tax Collector opted to take the Town's recent early retirement incentive offer effective June 30, 2009. As a result, the Town's Deputy Tax Collector is functioning as the Acting Tax Collector until the Town's administration has determined how best to address this organizational change. The Deputy Tax Collector was particularly helpful throughout the audit, despite the pressures of having one less employee available within the department during this critical time.

Likewise, the Town's Finance Department had similar staffing issues. An Accounts Payable Clerk has taken the early retirement offer and the Purchasing Agent is on an extended medical leave. Even with these challenges, representatives of the department have been very responsive throughout the audit. (Please see Finding 5.c. for further information on this topic)

I leave this audit impressed with the courtesy and professionalism of Westport's employees.

Included in this report are a number of findings and recommendations intended to assist Town administrators in identifying opportunities for strengthened controls and efficiencies.

Representatives of the Selectman's Office, the Finance Department, the Tax Assessor's Office, the Tax Collector's Office, the Department of Public Works and the Department of Information Technology have had an opportunity to review a draft of this report. Responses from these departments will be solicited and provided to the Audit Committee of the Board of Finance under separate cover.

Thank you for the opportunity to provide this information to the Board of Finance.

Very Truly Yours,

Lynn Scully

Lynn Scully
Internal Auditor, Town of Westport

CC: GORDON JOSELOFF, FIRST SELECTMAN
JOHN KONDUB, DIRECTOR OF FINANCE
MICHAEL REA, CHAIRMAN, RTM FINANCE COMMITTEE

TABLE OF CONTENTS

DESCRIPTION		PAGE #
SECTION A.	INTRODUCTION	5
SECTION B.	OVERVIEW OF WESTPORT'S TAX ASSESSMENT, BILLING AND COLLECTION FUNCTIONS	8
SECTION C.	FINDINGS AND RECOMMENDATIONS	17

A. INTRODUCTION

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES:

The objectives of this audit were to:

1. Obtain an understanding of and document the various tax assessment, billing and collection processes for the Town of Westport, including sewer billing and tax deferral programs.
2. Determine all key controls in these processes, developing and conducting analytical procedures to determine the adequacy of these controls.
3. Identify opportunities to improve efficiencies and controls in the tax assessment, billing and collection processes.
4. Prepare a draft report of all findings and recommendations to review with department heads, appropriate administrators and the Board of Finance Audit Subcommittee.
5. Edit and finalize audit report for presentation to the Board of Finance.

SCOPE:

This audit was largely operational in scope, with particular emphasis upon understanding and documenting key tax assessment and collection procedures, including sewer assessment and usage billing. Obtaining an understanding of the flow of information included a reasonably comprehensive look at the systems environment designed to facilitate these various procedures. An overview of Westport's assessment, collection and billing processes is presented in Section B. of this report.

METHODOLOGY:

This audit began in April, 2009 with a series of interviews involving the Tax Assessor's Office and the Tax Collector's Office. Also interviewed for the purpose of their various roles in the Assessment & Collections processes were the Town Clerk's Office, Public Works/WPCA, Information Technology and the Town's Finance Department. All key processes were documented and analytical procedures were conducted with respect to budgetary assumptions, building permits, real estate liens and personal property delinquencies.

TOWN OF WESTPORT TAX ASSESSOR'S OFFICE

The Tax Assessor's Office determines the value of taxable property and establishes the basis for taxes due.

The Town of Westport Assessor's Office employs 7 full time individuals:

1	Assessor
1	Deputy Assessor
1	Assessment Analyst/Inspector
1	Assessor Technician
3	Assessor Clerks

7	Total Employees

In addition to the office staff, the department relies upon the work of an outside company to provide revaluation services for real estate (residential and commercial) and the Assessor has recently hired an outside company to conduct personal property audits.

Per the Town's website, the Assessor's Office:

- *Annually provides a listing of assessment for each and every property within the town limits of Westport. The listing is referred to as the **Grand List** and provides the basis against which taxes will be levied during the following fiscal year.*
- *Maintains an up-to-date inventory of all property, including land and improvements thereon including changes in ownership, new construction, alterations, and subdivisions filed as of the assessment date.*
- *Lists Connecticut registered motor vehicles and business personal property which are assessed for inclusion as part of the Grand List.*

Additionally, the assessor and staff administer state and local programs of tax relief, apply exemptions as permitted by state law, and assist the public with a variety of inquiries.

TOWN OF WESTPORT TAX COLLECTOR'S OFFICE

The Tax Collector's Office bills and collects taxes on behalf of the Town of Westport.

The Town of Westport's Tax Collector's Office has 5 full-time employees and 1 part-time employee:

1	Tax Collector (currently vacant)
1	Deputy Tax Collector
1	Accounting Aide
1	Tax Data Processing Clerk
1.5	Tax Clerks

5.5	Total Employees

Per the Town's website:

The mission of the Tax Collector's Department is to collect all taxes and other debts owed to the Town of Westport, and to properly account for them in a timely manner.

In addition, the Tax Collector's Department applies all state and local statutes equally, without favoritism or prejudice to its citizens. This high level of integrity instills confidence in the citizens we serve and encourages voluntary compliance.

OTHER DEPARTMENTS

Other key departments/personnel involved in the assessment and collection processes include the Building Department which oversees new construction, the WPCA Coordinator (Public Works) who maintains all of the source materials for sewer billing, the Town Clerk's Office which is responsible for recording all property transfer data and liens and the Information Technology Department which facilitates year-end processing and billing. The Town's Finance Department, which oversees the financial activities within the Tax Assessor and Tax Collector offices, is also responsible for recording tax revenue information and reporting results within the Town's Revenue Statement.

B. OVERVIEW OF WESTPORT'S TAX ASSESSMENT, BILLING AND COLLECTION FUNCTIONS

Grand List

On or before January 31 of each calendar year, the Assessor's Office completes and formally presents a Grand List detailing the assessed values of all taxable property in the town (value at October 1). This list is the basis by which taxes are levied for the next fiscal year. **The Town of Westport's Grand List (Oct 1, 2008) for the 2009-2010 fiscal year is \$10,761,544,025.**

Board of Assessment Appeals (BAA)

The Town's three-member elected board is empowered to hear all residential and commercial assessment appeals for the Grand List. The BAA meets until all appeals are heard, voting on each appeal individually. This enables the BAA to file the Final Board of Assessment Appeals Approved Grand List, which is required prior to the setting of the mill rate.

Of the 88 appeals heard by the BAA in March 2009 for the 2008 Grand List, 48 assessments were reduced as follows:

Real Estate, 2008	(3,359,330)	33
Personal Property, 2008	(156,650)	15
Total Assessment Reduction	\$ (3,515,980)	48

This reduction represents a change of less than .033% of the total Grand List as presented by the Town's Assessor. (Note: the BAA also approved the removal of the 10% penalty for the initial non compliance of Income & Expense Statements in 7 instances.)

Tax Relief

The Assessor's office administers a robust property tax relief program which includes sewer assessment/use charges. Tax relief is available to residents 65 years of age and older or residents who are permanently and totally disabled. Additionally, there are state and local credits for eligible veterans and Town credits for the Westport's emergency volunteers (EMS, Fire). Eligibility for state and local credits and/or deferrals is determined by a review of application forms and income information (tax returns, etc).

For the current Grand List 2008, there were 459 eligible applicants (to date) for tax relief. Of those, 418 applicants were awarded a tax credit through the Town's program – total credits awarded \$1,039,454. The deadline for Tax Credit Applications was May 15th.

Of the 459 applicants, 209 were eligible for State credit totaling \$120,799. This amount will be reimbursed to the Town.

In addition, \$1,472,423 in property tax deferrals was awarded through this program (196 applicants as of July 2009). Applications for tax deferral are accepted by the Assessor's Office through December 30, 2009.

Forty-four (44) sewer assessment and/or usage deferrals have also been awarded through this program to date. Like real estate, sewer deferrals are lienied. The deadline for applying for a sewer deferral is November 16, 2009.

NOTE: Tax and sewer deferrals, while awarded by the Assessor's Office through the tax relief program, must be recorded and accounted for by the Tax Collector. This is the last accounting step performed by the Tax Collector's Office prior to the processing of bills.

Mill Rate

Once an expenditure budget is approved in its final form by Westport's Representative Town Meeting (RTM), the Town's Board of Finance (BOF) is responsible for determining how best to fund the Town's budgeted expenditures. By reviewing revenue projections, the estimated fund balance at year-end and other economic factors, the BOF collectively (by vote) decides the amount of tax revenue necessary and sets the "mill rate," which is the dollar amount of tax per thousand dollars of assessed value of taxable property.

Because Westport's BOF decided to maintain the same mill rate as 2008-2009 (14.41), the amount of tax revenue budgeted for 2009-2010 is \$150,685,753.

Orig Grand List 2008	10,761,544,025
BAA Reductions	(3,515,980)
BAA Grand List 2008 (Final)	10,758,028,045
Divided by \$1,000	10,758,028
Taxes @ 14.41	155,023,184
Budgeted Taxes, Grand List 2008	149,935,753
Prior Levies	750,000
Budgeted Tax Revenues 09-10	150,685,753

This represents approximately 90% of the Town's anticipated funding, as illustrated below. The Board of Finance opted to use \$2.2 million dollars of the fund balance.

2009-2010			
Budgeted Revenues (use of fund bal)			
Taxes (current & prior years)	\$	150,685,753	90%
Education Revenue		2,344,000	1%
Recreation Revenue		4,599,625	3%
Other Sources		8,249,611	5%
Fund Balance		2,200,000	1%
	\$	168,078,989	100%

Conversion of Tax Data File

Once the appeals process and tax relief programs (for all tax credits) are complete along with certain other miscellaneous adjustments, the Grand List is finalized, the mill rate applied and the Grand List data is electronically converted for tax billing. This process involves the representatives from the Tax Assessor's Office, the Tax Collector's Office, the Information Technology Department, representatives of Quality Data Services (QDS) and representatives of Pitney Bowes and is overseen by the Finance Department.

Recording of Tax Deferrals

The Tax Collector's Office entered 196 property tax deferrals for the 2008 tax year (as of the date of this report), for a total of \$1,472,423 of deferred tax revenues.

Tax Billing

Prior to July 1, all real estate, personal property and motor vehicle tax bills are mailed. During the last week of June, 2009 the Tax Collector mailed out 21,436 tax bills broken down as follows:

Real Estate	6,082
Personal Property	1,724
Motor Vehicle	13,630
Total	21,436

Taxpayer account information is available directly from the Town's website www.westportct.gov.

Tax	Due Dates
Real Estate Taxes	July 1, Oct 1, Jan 1, Apr 1
Personal Property Taxes	July 1, Oct 1, Jan 1, Apr 1
Motor Vehicle	July 1
Supplemental Motor Vehicle	Jan 1

Westport real estate taxes in excess of \$100 are due in quarterly installments: July 1, October 1, January 1 and April 1. Personal property taxes in excess of \$100 are also due quarterly. Motor vehicle taxes are due July 1, with supplemental motor vehicle (those vehicles registered between Oct 2 and July 31) taxes due Jan 1.

The Tax Collector's Office is also responsible for sewer assessment and usage billing (see Sewer Billing, below). Sewer bills are due annually on Sept 1.

Tax and sewer bills can be paid in the following ways:

1. **In person** at the Tax Collector's Office via cash or check,
2. **By mail** to the Town's Lockbox account with Webster bank, or
3. **Credit Card** online or by telephone via an outside company, Official Payments Corporation.
4. **In person** at local Bank of America branches (for Bank of America customers only).

Monies received are deposited and recorded in MUNIS daily by Finance Department employees.

Delinquent Taxes

Taxes that are not paid within one month of the due date are considered delinquent and are subject to interest at the rate of 1 ½ % per month (\$2 minimum).

Liens are filed with the Town Clerk's Office by the Tax Collector for any real estate taxes in excess of \$25 that remain outstanding at June 30.

The Tax Collector has recently been investigating the filing of Uniform Commercial Code (UCC) liens against a business that has overdue personal property taxes.

Overdue motor vehicle tax information is filed with the State of Connecticut's Department of Motor Vehicles. This prevents a taxpayer from re-registering a vehicle until the tax obligation is satisfied.

The Town is required by State Statute (Title 12, Chapter 204, Sec. 12-165) to have a "suspense book" consisting of those accounts deemed uncollectible and thereby can no longer be considered assets of the Town. Annually, the Tax Collector comes before the Town's Board of Finance for approval of moving a listing of tax obligations to the Town's Suspense Account. On May 20, 2009, the Board approved a transfer of \$159,293.90 (representing delinquencies from Grand List Year 2006) to the suspense tax book. The Tax Collector then contracts with an outside collection agency to pursue these overdue taxes on behalf of the Town.

Sewer Billing

Sewer contracts are "benefit assessed," with all potential users of a particular sewer installation responsible for reimbursing the Town for the cost of the project. Once an installation project is deemed completed, the WPCA Coordinator prepares a final accounting of the sewer installation contract, which would include all design, construction and related expenditures. This accounting is presented by the Director of Public Works and the WPCA Coordinator at a public hearing (the "Final Benefit Assessment Public Hearing") held by the Water Pollution Control Authority (WPCA). During the hearing, the WPCA establishes the benefit assessment rate per unit for the project based upon the recommendations of the Director of Public Works and the WPCA Coordinator. These contracts are bonded once complete and the assessed residents reimburse the Town over 19 years at the associated bond rate. Westport bills for sewer assessments on Sept 1 for all sewer connections as of Sept 2009.

Each prospective sewer user is assigned a number of units based upon the Sewerage Use Charge Regulations of the WPCA.

Once users go through the process of connecting to the new sewer system, they are also billed for sewer usage on a per unit basis on Sept 1. The sewer use charge is calculated every August and

reflects actual costs for the prior fiscal year ended June 30 (the Sept 1, 2009 bills will be for the period ended 6/30/2008). There are presently 7,274.75 units being billed for usage, with the total sewer use charge revenues estimated at approximately \$3 million.

Special Assessments

On occasion, the Town of Westport enters into agreements with small groups of taxpayers to perform extra (unbudgeted) projects that are benefit-assessed. A recent example would be the dredging of Mill Pond. Special Assessments are billed by the Tax Collector's Office through QDS and are processed in the same way as sewer assessment billing.

TOWN OF WESTPORT TAX CYCLE:

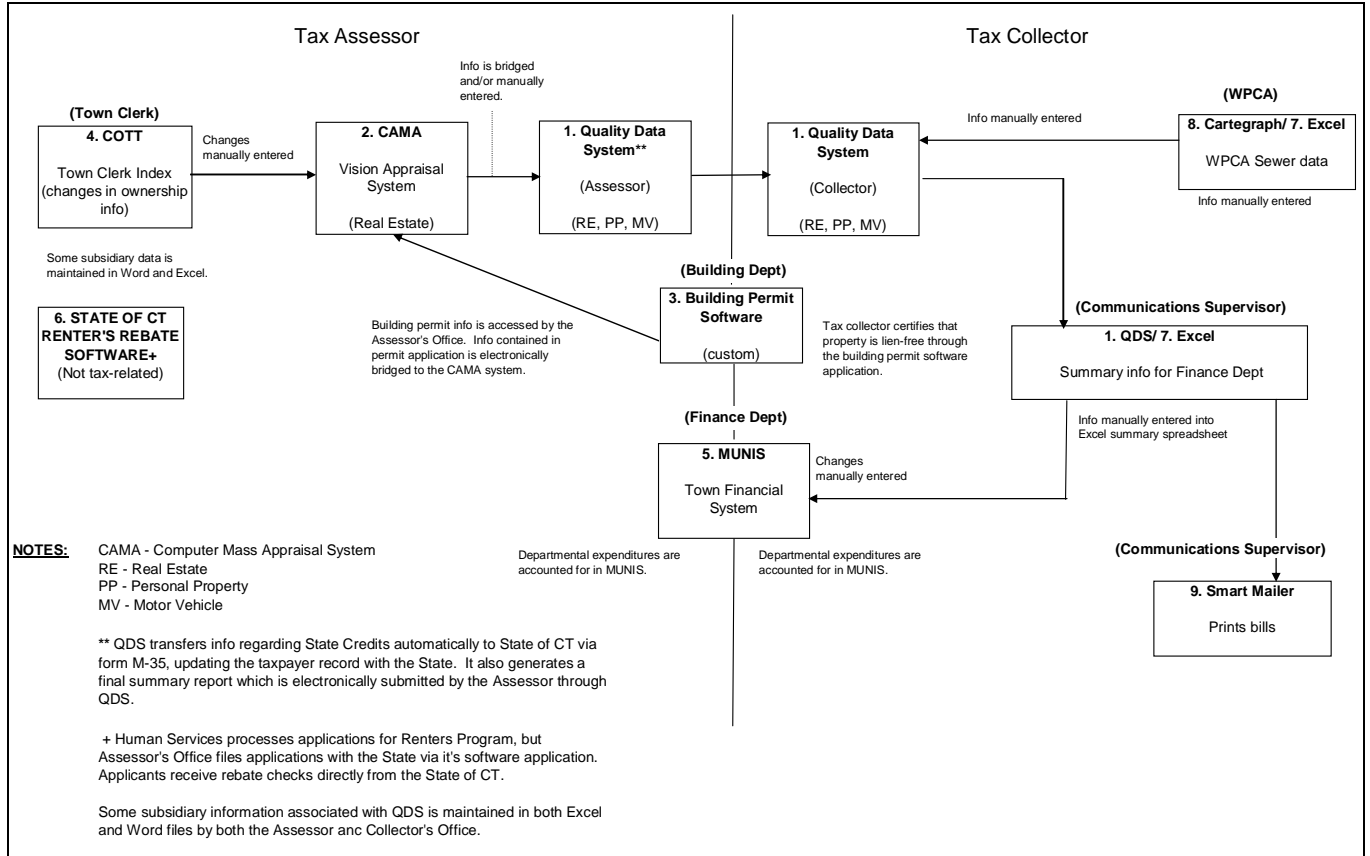
The following chart outlines the key cyclical responsibilities of the Tax Assessor's Office and the Tax Collector's Office:

	Tax Assessor's Office	Tax Collector's Office
July	July 1 – State report due (M-35 Report)	July 1 – first installment of Real Estate, Personal Property and Motor Vehicle taxes due. State M-1 Report due.
August	Aug 1 - All additional Veteran's exemptions must filed with the State.	Aug 1 – last day to pay first installment without penalty.
September	Compile data for Personal Property mailings.	Sept 1 - Sewer Assessment/Use and Special Assessment taxes due.
October	Oct. 1 – date of all assessments for Grand List.	Oct 1 – second installment of Real Estate and Personal Property taxes due. Oct 1 – last day to pay Sewer Use, Special Assessments without penalty.
November	Nov 1 – Personal Property and Nonprofit M-3 applications due.	Nov 1 – last day to pay second installment of Real Estate and Personal Property taxes without penalty.
December		Supplemental Motor Vehicle tax bills mailed.
January	Jan 31 – Grand List Complete	Jan 1 – third installment of Real Estate and Personal Property taxes due. Payment of Supplemental Motor Vehicle taxes due.
February	Feb 1 - Town & State Elderly tax relief program begins.	Sewer lien notices mailed.
March	March 21- Deadline for BAA applications.	
April	April 30 – BAA must complete their duties.	Apr 1 – fourth installment of Real Estate & Personal Property taxes due.
May	Finalize BAA figures and corrections to the Grand List for mill rate. May 15 – Town and State tax relief applications due.	May 1- last day for fourth installment of Real Estate & Personal Property taxes without penalty. Lien notices mailed.
June	June 1 - Commercial Real Estate Income & Expense Statements due. Transfer finalized Grand List figures from Assessor to Tax Collector's Office.	Liens filed on delinquent Real Estate with Town Clerk's Office. New Real Estate, Personal Property and Motor Vehicle tax bills mailed.

THE SYSTEMS ENVIRONMENT:

The following is a graphic representation of the Town's current systems environment as it relates to the functions of the Tax Assessor and Collector's Offices (related systems presented in parenthesis). A description of each application follows.

Exhibit 1



The following is a brief description of each software application presented in Exhibit 1.

Software Application	Tax Assessor	Tax Collector
1. Quality Data System (QDS)	This database contains all Real Estate, Personal Property and Motor Vehicle info. A large number of corrections are processed through this system throughout the year. Tax relief transactions are accounted for in QDS, with the exception of tax deferrals, which are handled exclusively by the Collector. State tax credits are also processed through QDS and are electronically transmitted to the State. A summary report of all State tax credits is	This database contains all Real Estate, Personal Property and Motor Vehicle info which is received annually from the Tax Assessor's Office. Tax deferral info is entered into QDS in the Collector database only prior to the issuance of bills. In addition, the sewer taxes and assessments are processed through QDS exclusively in the Collector's QDS database. The QDS application resides on the Town's server and it is remotely accessed by QDS

Software Application	Tax Assessor	Tax Collector
	<p>also generated and transmitted to the State electronically.</p> <p>The QDS application resides on the Town’s server and it is remotely accessed by QDS representatives.</p> <p>NOTE: THE ASSESSOR’S OFFICE IS ALWAYS ONE GRAND LIST YEAR AHEAD OF THE TAX COLLECTOR, SO THEY ARE WORKING WITH 2 SEPARATE DATABASES.</p>	<p>representatives.</p>
2. Vision Appraisal System (CAMA)	<p>Vision is used exclusively to account for the valuation of the Town’s Real Estate. The Assessor’s office updates the data within this system based upon property improvements or changes and revaluation. The information contained within this database is routinely bridged to QDS (however, some changes are made directly to both systems).</p> <p>Vision software and database resides on the Town’s server and is remotely accessed by Vision representatives.</p>	
3. Custom Building Permit Software (Softech Solutions)	<p>This Access-based permit tracking system was designed for the Town’s Building Department and has been expanded to include the Tax Assessor and Collector. The info is bridged to Vision so that all ongoing real estate construction is captured in its various stages of completion.</p> <p>This application resides on a Town server and is directly or remotely accessed by a representative of Softech.</p>	<p>The tax collector accesses the permit software in order to issue and print a “Certificate of No Tax”, which is a required first step in the building permit process.</p> <p>This application resides on a Town server and is directly or remotely accessed by a representative of Softech.</p>
4. Town Clerk Indexing (COTT Systems)	<p>The Assessor Clerk (Theresa) searches this online index of property transfers, reviews all supporting documentation online and manually enters the pertinent info into Vision.</p> <p>This application is installed on the Town server and is accessed by authorized COTT</p>	<p>Tax Collector receives via email from Town Clerk property transfer info, which is manually entered into the QDS database.</p>

Software Application	Tax Assessor	Tax Collector
	Systems personnel.	
5. MUNIS Financial Software	<p>Departmental expenditures are processed through MUNIS.</p> <p>MUNIS is hosted by Tyler Technologies.</p>	<p>Revenue information is manually recorded in MUNIS via journal entry by representatives of the Finance Dept. Presently, Tax Collector's Office does not review or reconcile directly with the revenue accounts in MUNIS (see finding 1-a).</p> <p>Departmental expenditures are processed through MUNIS.</p> <p>MUNIS is hosted by Tyler Technologies.</p>
6. State of CT Renter's Rebate Application	Applications provided by Human Services are manually entered into this State software application and submitted to the State electronically by the Deputy Assessor. This application resides on her PC.	
7. Microsoft Excel	This spreadsheet application is used to maintain all of the detailed information regarding tax relief. This spreadsheet is the source for reductions to assessed values maintained in QDS.	<p>This software is used routinely by the Accounting Aide (TC) to summarize the info from QDS and reconcile the cash collected to the payments posted within QDS.</p> <p>NOTE(S):</p> <p>This software is currently used by the Communications Supervisor to summarize QDS information to facilitate MUNIS recording.</p> <p>This software is also used by the WPCA for maintaining all of the sewer connection and usage data.</p>
8. Cartegraph		<p>This application is used for mapping and permits. It is used exclusively by Public Works. All sewer-related changes through Cartegraph are entered into the WPCA's master spreadsheet file.</p> <p>Cartegraph resides on the Town's server.</p>
9. Smart Mailer		QDS data is extracted into this application (Pitney Bowes proprietary application), which converts the data to an Access database and is used to verify addresses (motor vehicles), print bills and facilitate bulk mailing.

C. FINDINGS AND RECOMMENDATIONS

It should be noted that no significant internal control issues were identified as a result of this review. The following findings and recommendations are operational in nature and are intended to assist Town administrators in identifying opportunities for strengthened controls and efficiencies.

1. Systems Environment

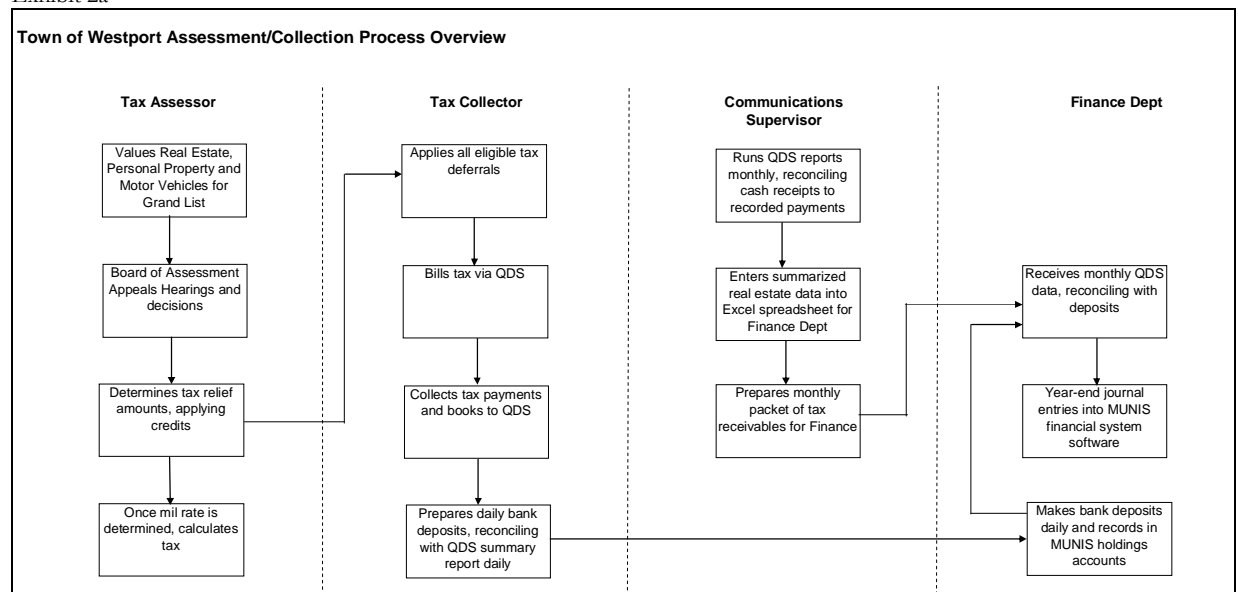
a. Finding re: Routine Reconciliation and Transfer of info from QDS to MUNIS:

As illustrated in exhibits 2a & 2b below, the transfer of information from the QDS subsidiary ledger to the MUNIS general ledger software presently involves the activities of the Communications Supervisor who reconciles the QDS receivables data, summarizes it and provides it to the Finance Department for analysis, reconciliation with bank account information and input into the MUNIS system. Revenue data is entered daily into MUNIS “holding accounts” to facilitate bank reconciliations and is distributed by revenue type via journal entry into MUNIS at year end.

This process is cumbersome and does not allow for timely, detailed recording of revenue data within MUNIS.

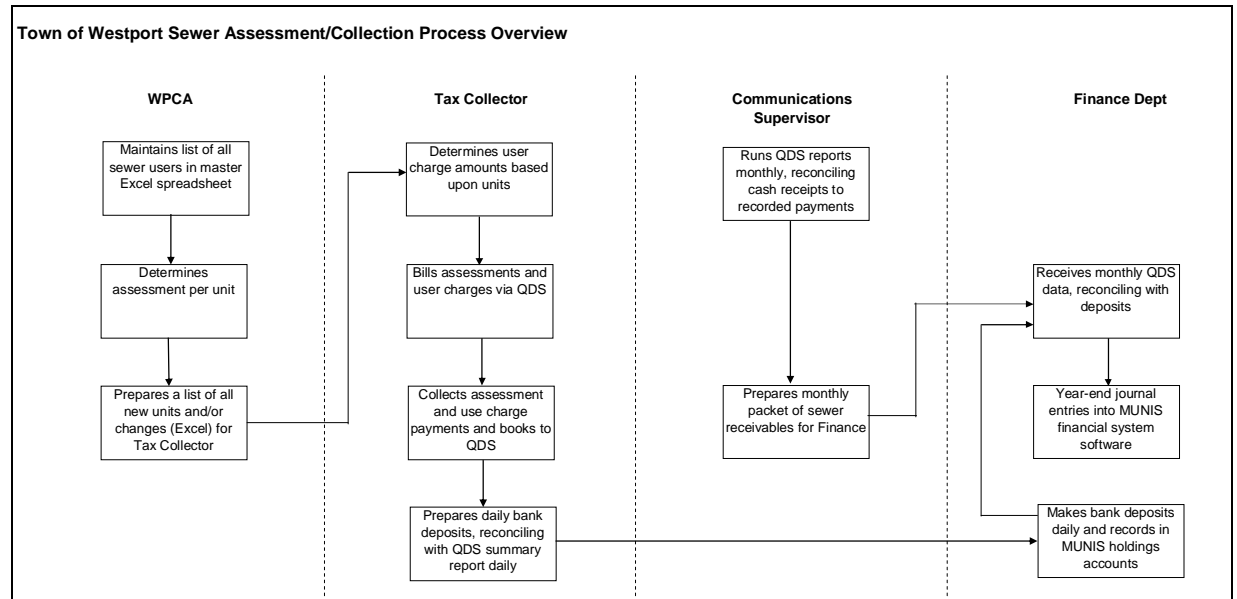
Further, this process does not allow for an appropriate level of Tax Collector accountability for the integrity of data maintained exclusively by the department. Personnel in the Tax Collector’s office were unaware of how revenue data was gathered and accounted for within MUNIS and are not presently responsible for monitoring and/or reconciling with these key accounts.

Exhibit 2a



Similarly, sewer revenue data in QDS is gathered by the Communications Supervisor and provided to the Finance Department for analysis, reconciliation with bank deposit information and input into the MUNIS system via journal entry. The same concerns regarding process apply.

Exhibit 2b



Recommendation(s):

Short-term: A monthly reconciliation should occur *directly* between the Tax Collector’s Department and the Finance Department to ensure the timeliness and accuracy of the information contained within both the QDS subsidiary ledger and the MUNIS general ledger. This reconciliation should be approved/signed off by the Tax Collector and the Finance Director to ensure accountability for the integrity of this data.

Long-term: Whenever key financial data is maintained in a system separate from the main accounting application, there is a greater risk of errors. To address this issue, the following options should be properly investigated:

1. Acquiring and implementing the MUNIS Property Tax Module which would be fully integrated with the general ledger package; and/or
2. Acquiring and implementing an information “bridge” built between the QDS application and the MUNIS system to facilitate more timely transfer of data.

The obvious goal is to streamline the flow of revenue information to the MUNIS application and minimize duplicative data entry. This will allow for more timely, meaningful financial information to facilitate financial decisions.

b. **Finding re: Key Subsidiary Data Maintained in Excel Spreadsheet:**

Sewer Connections – the WPCA Coordinator maintains a master spreadsheet detailing data for approximately 6,750 sewer accounts. The spreadsheet is continuously updated as new connections (or disconnections) occur.

Excel is a very useful application for analysis but it is not ideal for maintaining a database because:

- While a spreadsheet stores values in rows and columns, the individual rows are not truly separate “records.” As a result, it is possible to sort a column of numbers without affecting the other columns, thereby destroying the integrity of the “records.”
- There are no “field rules” to ensure that the data being entered falls within accepted parameters – increasing the potential for a data entry error/omission going undetected.
- There are no audit trails or reports available that would highlight changes to the database.

The master spreadsheet is the source for sewer billing information contained within QDS. Since sewer bills due Sept 1, 2009 are for the period ended June 30, 2008, the information contained within QDS would not be as current as the WPCA Coordinator’s master spreadsheet. This would make a routine reconciliation between the two sets of records a challenging task.

Recommendation:

It is strongly recommended that the subsidiary records maintained on behalf of the WPCA be moved to a database application.

2. **Tax Relief**

a. **Finding re: Tax Bill Balance Shown Net of Credits:**

Tax bills show a beginning balance which is net of any credits received through the Town of Westport’s tax relief programs. This results in many telephone calls to the Tax Assessor’s Office from taxpayers who are not sure that the credit has been applied to their balance.

Recommendation:

Tax bills should be redesigned to include a clear indication that tax relief credits have been applied.

b. **Finding re: Renter’s Program:**

The Tax Assessor’s Office is presently responsible for filing applications for the State of CT’s Rental Rebate Program. Applications for the rebates are processed by the Town’s Human Services Department and are entered into the Renter’s Rebate software and electronically filed with the State by the Deputy Tax Assessor. Rebates from the State are mailed directly to the

applicant. This is not a tax relief program.

Recommendation:

Administration of this program is better suited for the Town's Human Services Department, as it is not tax-related.

3. Sewer Billing

a. Finding re: Complex Per-Unit Calculation:

Sewer usage is billed out on a per-unit basis. The number of units assigned to a particular user of the Town's sewer systems is fairly complex as defined in the Water Pollution Control Authority (WPCA)'s revised Sewerage Use Charge Regulations.

While the unit basis takes into consideration the estimated volume of water being discharged into the sewerage system by a particular type of residential/commercial user (e.g. one-family house, apartment, hotel, restaurant, etc.), actual volumes, which might vary greatly, are not used.

Further, sewer billing component of QDS has been highly customized to accommodate Westport's per-unit formula in the WPCA regulations. This does not allow the Town of Westport much flexibility in upgrading or replacing its billing software application.

Recommendation:

The Town of Westport should consider billing for sewage usage based upon metered water consumption data. This leads to a more equitable distribution of costs to the actual users of the sewer systems than the current per unit formula.

The Town of Westport should also consider contracting with an outside organization to provide water consumption data and/or outsourcing the billing function altogether. The Town of Fairfield uses an outside company, Computil Corporation of Milford, CT, to process its sewer billing. For the 2008-2009 year, Fairfield issued 16,433 sewer use bills (compared to Westport's 6,600+ bills) through this outside company for approximately \$30K. This fee included meter-reading and the printing/ mailing of bills. Fairfield is responsible for the associated collection activities.

4. Personal Property Delinquencies

a. Finding re: UCC Liens:

Unlike overdue real estate and motor vehicle taxes, the Town does not have an immediate procedural remedy when personal property taxes are overdue.

Recommendation:

The Tax Collector's Office has already begun to investigate the process of filing a UCC (Universal Commercial Code) lien with the Secretary of State's Office for overdue personal property accounts. A UCC lien is an official notice that the Town of Westport has a financial interest in property owned or leased by that business. It is highly recommended that the Town continue to investigate and hopefully incorporate this type of lien filing into its routine collection efforts.

b. Finding re: Personal Property Delinquencies and Town Vendors:

A number of local businesses that are delinquent in personal property taxes also appear on the Town and Westport Public Schools' (WPS) vendor lists. Some have been active vendors of the Town and WPS in the past fiscal year.

Recommendation:

The Town's delinquency lists for personal property should be shared with both the Town's Purchasing Agent and the Business Manager for Westport Public Schools and a new policy instituted regarding contractual relationships with local businesses indebted to the Town of Westport. These vendors should not be allowed to conduct business with the Town of Westport (including Westport Public Schools) until such time that all outstanding tax delinquencies have been satisfied (or a mutually agreed upon repayment program is in place). All exceptions to this policy should be properly documented and approved by the First Selectman.

5. Other

a. Finding re: Setting the Mill Rate:

As previously stated in the overview, the Board of Finance is charged with the annual responsibility of setting the mill rate for the Town of Westport for the next fiscal year. This is generally done in late May, which allows for a very short timetable within which:

1. The Assessor's Office must apply the mill rate and finalize the Grand List,
2. The Assessor's Office, The Tax Collector's Office and the Information Technology Department oversee the conversion of the Grand List database for use by the Tax Collector's Office, and
3. The Tax Collector enters all deferrals and processes the real estate, personal property and motor vehicle tax bills.

There is little margin for error within this timeframe, yet problems are far more likely to occur when personnel are rushed to meet deadlines.

Recommendation:

The Board of Finance should consider setting the mill rate for the Town two weeks earlier. This will allow more time to review billing information prior to printing and mailing. Consideration

should also be given to the requirements of the Finance Department and its ability to meet an earlier date.

b. Finding re: Documentation of Procedures:

The Tax Collector's Office has some documentation of its various policies and procedures, but the Tax Assessor's Office does not.

Recommendation:

Both offices should plan to draft/update policies and procedures. An organized set of written policies and procedures is an invaluable tool for an efficient, effective and professional office. It is important that these policies and procedures are concise and that they clearly communicate procedural expectations. They should also be reviewed and revised at least annually and all departmental personnel should be required to be familiar with them.

From an auditor's perspective, written policies and procedures are an excellent tool in identifying internal controls and indicate a departmental commitment to integrity and uniformity in operations.

There is much literature on how best to put together a policies and procedures manual. It is a time-consuming yet worthwhile endeavor which can be done when time allows, as long as such a project is properly planned.

c. Finding re: Finance Department Staffing:

During the course of this audit, one member of the Finance Department (Accounts Payable Clerk) opted for the early retirement incentive offered by the Town. Further, the Purchasing Agent for the Town is presently on an extended medical leave of absence. While the department has utilized interns for the summer months, the Finance Department appears to be understaffed.

Recommendation:

The Accounts Payable Clerk should be replaced within the department as soon as possible. It is also strongly recommended that an assessment of all key financial activities of the department be performed to determine if additional staff and/or reorganization is necessary.

d. Finding re: Tax Collector Department Staffing:

During the course of this audit, the Town's Tax Collector opted to take advantage of the Town of Westport's early retirement offer, leaving the department down one full-time employee. The Town's Deputy Tax Collector has been responsible for running the department in his absence (temporarily assuming the responsibilities of both positions) as the Town conducts a formal search for a new Tax Collector.

The Deputy Tax Collector has done an excellent job in overseeing the timing and accuracy of this year's tax bills. The Town of Westport was fortunate that this individual was able to see this

process through from beginning to end. Any unforeseen absence on her part (illness, family emergency, etc.) during this crucial time might have resulted in the department's inability to meet its responsibilities in a timely manner.

Recommendation:

To assure continuity of operations within the Tax Collector's department and also to better achieve the additional financial reconciliation procedures as recommended in Finding #1 (see page 16 of this report), it is recommended that the Town of Westport ensure that there are qualified personnel in both the Tax Collector and Deputy Tax Collector positions going forward.