

**INTERNAL AUDIT REPORT  
CITY OF MANCHESTER, NEW HAMPSHIRE  
BUILDING PERMITS ASSESSMENT CYCLE**

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# INTRODUCTION

## AUDIT BACKGROUND

At the November meeting of the Committee on Accounts, Enrollment & Revenue Administration it was requested that a financial related audit of the cycle, from issuing a construction permit to evaluating the respective property for an increase in assessed value, be conducted. The Finance Officer of the City of Manchester has been designated by state law, city charter and local ordinance with the authority to conduct such examinations and audits.

The agreed upon procedures noted below were conducted in accordance with standards, established by the American Institute of Certified Public Accountants, as well as standards applicable to financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## SCOPE AND OBJECTIVES

First Internal Audit (IA) determined the rules and regulations in effect over the Building Department and the Board of Assessors. Our audit was designed to determine compliance with the following rules and regulations, which cover the permit/assessment cycle:

- RSA 676:11 After a municipality has adopted a building code, any person who intends to erect or remodel any building in the municipality shall submit the plans to the building inspector for the building inspector's examination and approval prior to commencement of the planned construction.
- RSA 75:8 The Assessors and selectmen shall, in the month of April in each year, examine all the real estate in their respective cities and towns, shall reappraise all such real estate as has changed in value in the year next preceding, and shall correct all errors that they find.

After documenting and evaluating the internal controls in place during the audit period over the compliance points mentioned above, a judgmental sample of 45 permits was selected for testing. The selections were tested to insure that:

- The correct permit fees were charged
- All permits selected were received by the Board of Assessors and evaluated.
- Changes to a property that required a change in assessed value were posted to both the Vision system and the HTE system in a timely manner.

After an error was discovered in one selection of the original sample a further sample of 15 additional permits was judgmentally selected and tested. IA encountered no further errors.

The results of our testing are included in the recommendation and observation section of this report found on pages four and five.

## BACKGROUND OF AUDITEES

### *Building Department*

The Building Department is responsible for the administration, interpretation and enforcement of all codes and regulations pertaining to the office of inspectors of buildings and the administration, as well as interpretation and enforcement of land use codes and regulations. The Building Commissioner is the head of the department and is appointed by the Board of Mayor and Aldermen. The eighteen employees of the department are responsible for processing the more than 2,000 permits that are issued by the department every year and the accompanying inspections.

### *The Board of Assessors*

The Board of Assessors is responsible for the affixing of an assessed valuation upon all properties liable to taxation for ad valorem taxation, administering all tax abatement and statutory exemption requests, and overseeing citywide revaluation. The Board shall also collect, supervise and preserve all data relative to taxable, nontaxable and tax exempt properties within the City. The Board consists of three full time assessors who are appointed by the Board of Mayor and Aldermen. The three assessors are responsible for evaluating the more than 2,000 permits issued by the Building Department each year. They are also responsible for determining and reporting the assessed value of approximately 4,500 commercial and 26,500 residential parcels throughout the City of Manchester each year.

## **FINDINGS AND RECOMMENDATIONS**

### **OBSERVATION 1 PROCEDURES OVER THE PROCESSING OF PERMITS AND ASSESSMENTS:**

The Building Department records permits issued through the HTE Building Permits module. Upon issuance, a permit is printed. A copy of the permit is given to the applicant, one copy is placed in the property file, and one copy is held for the Office of the Assessors. Weekly the Building Department runs a Permits Issued Report and sends this report with the corresponding permits to the Office of Assessors. The clerk at the Office of Assessors who receives the batch is responsible for making sure that every permit contained in the report has a corresponding permit copy in the batch. The ending number from the previous batch is also compared to the beginning number of the current batch to ensure that all permit numbers are accounted for. If any permits are missing, the clerk at Office of the Assessors will call the Building Department to find the missing permits. Once the clerk is assured that all the permits are accounted for, the permits are given to the three assessors. Each assessor has a preset group of properties that they are in charge of. The assessors will then evaluate the permits as to whether or not they will affect the value of the property. If it is determined that a permit may affect the property's value the Assessor will print a copy of the property record card from the Vision Software System, the software used by the Office of Assessors to track property value. The copy is used by the assessor in the field evaluation. If a change to assessed value is required the change is noted on the copy. The assessment change is then entered into the Vision system by the assessor. The same assessor then must also enter any valuation changes generated in Vision into the HTE system. There is no automated link between the Permits module in HTE, the Vision system and the HTE tax module. Such a link would be useful to ensure that all permits have been evaluated and entered correctly into both systems without any manual intervention. The current manual double entry to the two systems increases the risk of errors and increases the risk that a permit could be misplaced or the change in assessed value not entered in the tax module of HTE. IA testing revealed the following two errors:

- One permit for an addition was brought to Internal Audit's attention before the audit. This property was issued a permit on 10/02/96 but not entered in the HTE module until 10/23/00. This permit caused an increase in assessed value of \$30,000 that went unrecorded for three years. The Office of the Assessors has acknowledged that they have completed an internal review and have identified several permits that had not been properly recorded in fiscal year 1997 assessments.
- From a sample of forty-five permits issued in calendar year 1999, IA noted one permit for the construction of a garage that was received at the Office of the Assessors, evaluated, and the change in the assessed value was calculated and changed in the Vision system. The change in assessed value however, was not entered into the HTE system. An additional sample of fifteen permits tested revealed no other errors.

### **RECOMMENDATION:**

Procedures should be improved in order to utilize the HTE system to help in tracking the permits through the assessing phase of the cycle. A link between the two subsystems in HTE should be established so that a report could be generated to show discrepancies between the two subsystems. The Building Department, Office of the Assessors and Information Systems should meet to discuss changes that could best track permits.

**AUDITEE RESPONSE:**

*Board of Assessors*

- There is presently work being done by HTE, Assessors and Information Systems to develop an interface between Vision Valuation system and HTE with an anticipated deadline of June 2001.
- The fact that a small number of permits were missed and then later discovered we believe is attributable to the move from City Hall to temporary quarters and then a return to the renovated City Hall. However, internal controls are now in place with the possibility of additional future controls being explored using HTE and a subsequent electronic reporting function.
- From the 45 permits reviewed the one permit identified by the audit was in fact acted on and resulted in a change in assessment. A copy of the work performed on the field card is attached and may be attested to by the print dates. However, as further identified by the audit, the resulting valuation change reflected in the City's assessment software was not updated correctly in the City's billing system (HTE). This shall be corrected as the interface between HTE and Vision Appraisal software is completed, anticipated in June 2001. Also, other departments may benefit from the Vision/HTE interface, as additional information besides assessment data shall be loaded into HTE LX module subsequently available in other modules.