

INTERNAL AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



Tax Abatements
Eight Months Ended February 28, 2002
Prepared by
City of Manchester, NH – Finance Department
Internal Audit Division

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CITY OF MANCHESTER, NEW HAMPSHIRE
TAX ABATEMENTS
EIGHT MONTHS ENDED FEBRUARY 28, 2002**

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January 28, 2014

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: Shea, Lopez, Guinta, Thibault and Smith

Dear Honorable Committee Members:

At the beginning of the fiscal year Internal Audit (IA) presented a list of audits and examinations that we would look at during the year. One of the items was an examination of Tax Abatements and Exemptions for the Year Ended 6/30/2001. In prior years IA audited, on a continuing basis, tax abatements as they were processed. Starting with this report we will be testing abatements and exemptions for compliance with State and City laws and regulations annually on a sample basis.

The scope of the assignment was to test abatements that were issued during the eight months ended February 28, 2002. As part of IA's testing the accounting controls in place during the audit period were evaluated to determine if they were effective in assuring that only abatements that were properly authorized in accordance with existing laws and regulations and management's wishes were issued.

After the evaluation of the internal control system in place during the audit period a sample of 25 abatements were selected for testing. Abatements were traced to the source documents, the amounts recalculated and authorizing signatures examined. The amounts authorized were compared to laws and regulations in place to determine if the abatements were allowed and the amounts correct.

Conclusion

Our evaluation of the internal control system noted no weaknesses that were considered reportable weaknesses or management comments. From our sample of 25 abatements we noted no instances of noncompliance with laws and regulations or lapses in the internal control procedures.

The draft audit report was sent to the management of the Assessor's Office for review and comment. We appreciate the courtesy and cooperation of the staff and administration of the Assessor's Office on this assignment.

Respectfully Submitted,

Kevin Buckley, CPA
Internal Audit Manager

TESTING SUMMARY

BACKGROUND

In prior years Internal Audit would review all abatements as they were issued. This was determined to be unnecessary as internal controls were very good and few if any errors were encountered. Due to the current revaluation and recent fraud encountered by other towns in the State it was decided that IA should annually sample the abatements issued during the year to ensure that they were properly authorized and that the internal controls in place were still being followed.

Our examination was conducted in accordance with generally accepted auditing standards, as promulgated 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

Our examination was limited to all abatements issued during the eight months ended February 28, 2002. The abatements examined included those issued to correct errors in the assessment process as well as those issued to adjust the assessment for application of exemptions allowed by State law and City Ordinance.

BACKGROUND

Abatements are processed by the Assessor's Office upon receiving an application for abatement. The deadline for applications is March 1st following the notice of tax. The City of Manchester then has until July 1st following the notice of tax to grant or deny the abatement application. The application is approved and signed by all three Assessors. If a taxpayer does not agree with the decision they may appeal to the Board of Tax and Land Appeals or to the NH Superior Court.

Taxes may only be abated for good cause shown. Good cause is generally established by showing an error in the assessment calculation or a disproportionate assessment. If the taxpayer is trying to prove disproportionate assessment the burden of proof is on the taxpayer. The taxpayer generally must show what the property was worth on April 1st by market data supported by comparable sales or professional opinion, comparing the property's assessment with similar properties in the municipality or by showing that the assessment was based on an incorrect description or measurement data.

If the abatement is based on an exemption that needs to be applied, the taxpayer must file a PA29 Permanent Application for Tax Credit/Exemptions. The application has requirements for documentation, that must be presented with the application, to prove the taxpayer qualifies for credit/ exemption. The law requires that all supporting documents must be returned to the taxpayer at the time the decision is made. The form is signed by the applicant and approved by one of the Assessors.

Abatements by cause for the eight months ended February 28, 2002 are noted on the following chart.

**ABATEMENTS BY CAUSE
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2002**

Assessment Cause	Number	Amount
Adjustment to Market	40	\$ 62,097.70
Duplicate Billing	5	6,574.54
Building Incomplete	2	1,896.22
Elderly Exemption	68	139,805.10
Disabled Exemption	51	100,848.46
Tax-Exempt	10	90,778.33
Non- Taxable	21	44,008.29
Veteran's Deduction	32	4,656.45
Hardship	1	2,755.16
Elderly & Disabled	2	2,620.24
Blind Exemption	1	2,155.77
Partial Disabled	1	1,626.90
Disabled Veteran (Surviving Spouse)	1	1,400.00
TOTAL	235	\$ 461,223.16

NOTE: Abatement amounts included interest that accrued during the time the City had the excess payments.

CONCLUSION:

Our examination revealed no internal control weaknesses or instances of noncompliance that we consider to be reportable conditions or management comments.