

**Date: July 31, 2019**

**To: Nancy Raich, Tax Collector**

**From: Craig Trujillo, CPA, Chief Auditor**

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**City of Hartford  
Finance Department  
Tax Collector's Office  
Motor Vehicle Billing and Collections  
Report 1921**

## **EXECUTIVE SUMMARY**

In accordance with our audit plan for the fiscal year ending June 30, 2019, we completed an audit in July 2019 of selected accounts and operations of the Finance Department Tax Collector's Office Motor Vehicle Billing and Collections. The purpose of the examination was to evaluate and test internal accounting and operating controls, transactions processed and make appropriate recommendations. We reviewed the results of our examination with, L.A. Ralls, Finance Director; N. Raich, Tax Collector; and, other responsible members in the department. The issues, which follow, include recommended operating improvements and management's responses and action steps. We will follow up to make sure that management's action plans, as agreed, are implemented by the due date.

We are pleased to report that the operations were found to be satisfactory. Many of the issues noted in our prior audit were resolved with the implementation of the Quality Data Service (QDS) tax software a few years ago. There were no issues noted that require immediate management attention. We thank management for their cooperation and courtesies extended to us during the audit.

## **BACKGROUND**

The Tax Collector's Office (TCO) of the Finance Department is responsible for billing, collecting, recording, and accounting for all real property, personal property and motor vehicle taxes. Quality Data Service Inc. (QDS) software is used by TCO employees to bill taxes and account for, record and report related receipts. Taxpayers can send tax payments directly to TCO by mail, to a designated bank lockbox account, remit payments in person to TCO cashiers by cash, check, Visa and MasterCard or pay online with a major credit or debit card. For the fiscal year ending June 30, 2019, TCO collected more than \$13.6M in current year motor vehicle tax levies and about \$15.9M in prior-year motor vehicle tax levies. As of June 30, 2019, motor vehicle tax outstanding balances totaled approximately \$27M. This consisted of about \$25M in accounts receivable balances for financial reporting purposes and about \$2M in outstanding tax balances that have been placed in suspense by TCO in accordance with State of Connecticut Statutes. The TCO payroll budget for the fiscal year ending June 30, 2019 was \$627,955 with nine full time positions.

## **SCOPE**

The scope of our audit included various reviews and tests of transactions recorded primarily during the fiscal year ending June 30, 2019. The following audit procedures were performed:

- Reviews and evaluations of policies, procedures and related internal operating and accounting controls;
- Reviews and tests of accounts receivable balances and collections; and
- Tests of suspended taxes, tax refunds, adjustments and reversals.

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Issue Statement	Management Action Plans
<p><b><u>Issue:</u></b></p> <p>The recording and billing of non-sufficient fund (NSF) check fees processed in QDS need to be enhanced.</p> <p><b><u>Cause:</u></b></p> <p>QDS fee coding does not allow additional non-sufficient fees to the same account.</p> <p><b><u>Effect:</u></b></p> <p>NSF fees are not billed and collected resulting in lost revenue.</p> <p><b><u>Recommendation:</u></b></p> <p>The TCO should initiate a change order request to QDS management enabling the QDS system to be able to record additional fees to the same account.</p>	<p><b>Due Date:</b> September 30, 2019</p> <p><b>Responsible Person:</b> N. Raich, Tax Collector</p> <p><b>Management Response:</b> QDS does not automatically add additional NSF fees to the same account, therefore TCO will manually add any additional fees going forward.</p> <p>TCO will request a change to the software to allow for additional fees to the same account; however, QDS is in the process of rolling out a new version of its software and it's unlikely that they'll make a change for Hartford.</p>

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Issue Statement	Management Action Plans
<p><b><u>Issue:</u></b></p> <p>Policies, procedures and controls for identifying, properly accounting for, and reconciling motor vehicle accounts placed with TaxServ, the City's Collection Agent for collections, needs improvement.</p> <p><b><u>Cause:</u></b></p> <p>Not all delinquent motor vehicle accounts are placed with TaxServ. Also, the delinquent motor vehicle accounts receivable balances recorded in QDS are not reconciled with the delinquent motor vehicle accounts receivables indicated on the delinquent motor vehicle tax report placed with TaxServ.</p> <p><b><u>Effect:</u></b></p> <p>Reconciliation of the delinquent motor vehicle accounts placed with TaxServ to the delinquent motor vehicle accounts reported in Quality will identify errors, omissions, and duplicates. We found approximately 1,624 delinquent motor vehicle accounts for grand-list years 2015 to 2017 totaling approximately \$272,450 without any associated collection fees. A detail testing of 41 of the 1,624 delinquent motor vehicle accounts indicated that none of the 41 delinquent motor vehicle taxes may not have been placed with TaxServ. As a result of the non-placement, additional efforts to collect delinquent balances was not being performed.</p> <p><b><u>Recommendation:</u></b></p> <p>TCO should, on an annual basis, reconcile the delinquent motor vehicle accounts placed with TaxServ to the delinquent motor vehicle account reported in QDS. The Tax Department should also make sure that all delinquent motor vehicle accounts are placed with TaxServ, where appropriate.</p>	<p><b>Due Date:</b> September 30, 2019</p> <p><b>Responsible Person:</b> N. Raich, Tax Collector</p> <p><b>Management Response:</b> All delinquent MV accounts are "placed" with TaxServ on or about the months of October and April for each new Grand List. While current policy is to place recently delinquent accounts with TaxServ, TaxServ's placement occurs only when a fee is added to a particular bill. In certain instances, the placement is "recalled" (ie/ bankruptcy, military service, COC...etc), and the fee is removed. Accounts that are included on the "suspense" list (ie/ deemed uncollectible) may not include a fee, and it is not the policy of the current tax collector to add fees to accounts that are already in suspense. Adding a fee to an account already in suspense for many years is not an effective use of the collection agency process since it requires the agent to concentrate collection efforts on a receivable considered uncollectible.</p> <p>TCO is in the process of selecting a new collection agency through the RFP process. Once a new agent is selected, accounts will be placed with the agent and a fee will be added to each account.</p>

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