

# CONTROLLER'S OFFICE

COUNTY OF BUCKS

Administration Building  
55 East Court Street, Doylestown, PA 18901-4318  
(215) 348-6435 • Fax (215) 348-6107



February 8, 2016

Commissioner Robert G. Loughery, Chairman  
County of Bucks  
Commissioners' Office  
55 East Court Street  
Doylestown, PA 18901

Re: Audit of Kimberly Scarpello, Falls Township Tax Collector

Dear Chairman Loughery:

Enclosed is the report for the audit of the Settlement of Duplicate for the Bucks County real estate taxes of the Falls Township Tax Collector, Kimberly Scarpello, for the tax year ended January 15, 2015. The January 15<sup>th</sup> date reflects the settlement date for the tax year included in the audit period. The section of the report titled Report to Management includes our findings and recommendations.

This examination was made in order to ascertain that Bucks County real estate tax collections were properly processed, that adequate and accurate financial records were maintained by the Tax Collector to reflect compliance to the *Tax Collector's Manual*, the *Local Tax Collection Law* and County policies and that the said collections were properly forwarded to the County. The audit was conducted in accordance with U.S. generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We express our appreciation for the courtesies extended to our auditors and acknowledge the cooperative assistance we received from the Tax Collector.

Should you have any questions regarding this audit, please call us at (215) 348-6556 between 7:30 a.m. and 4:00 p.m.

Sincerely,

Kimberly S. Doran, CPA  
Acting Bucks County Controller

15-02  
KSD/mkw

cc: Kimberly Scarpello, Falls Township Tax Collector  
Brian Hesseenthaler, CPA, Chief Operating Officer, Commissioners' Office, County of Bucks  
David P. Boscola, Director, Finance Department, County of Bucks

For the Period  
January 16, 2014 through January 15, 2015

COUNTY OF BUCKS  
KIMBERLY SCARPIELLO  
FALLS TOWNSHIP TAX COLLECTOR

County of Bucks  
 Kimberly Scarpello  
 Falls Township Tax Collector  
 For the Period January 16, 2014 through January 15, 2015

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## INDEPENDENT AUDITORS' REPORT

To Commissioner Robert G. Loughery, Chairman  
County of Bucks  
Commissioners' Office  
55 East Court Street  
Doylestown, PA 18901

We have audited the accompanying Settlement of Duplicate – cash basis, applicable to Bucks County (County) real estate taxes of the Falls Township Tax Collector (Tax Collector), for the tax year ended January 15, 2015, and the related notes to the Settlement of Duplicate.

### Management's Responsibility for the Settlement of Duplicate

The Tax Collector is responsible for the preparation and fair presentation of the Monthly Report to Taxing Districts (MRTD) sheets, which are the basis for the preparation of the Settlement of Duplicate in accordance with the cash basis of accounting described in Note 1.D. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Settlement of Duplicate in the circumstances. The Tax Collector is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Settlement of Duplicate that is free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Settlement of Duplicate based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Settlement of Duplicate is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Settlement of Duplicate. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Settlement of Duplicate, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Tax Collector's preparation and fair presentation of the Settlement of Duplicate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Tax Collector, if any, as well as evaluating the overall presentation of the Settlement of Duplicate.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued...

**Opinion**

In our opinion, the Settlement of Duplicate referred to in the first paragraph presents fairly, in all material respects, the total amount the Tax Collector is responsible to collect and the total amount reported by Tax Collector, for the tax year ended January 15, 2015, in accordance with the cash basis of accounting as described in Note 1.D.

**Emphasis of Matter and Basis of Accounting**

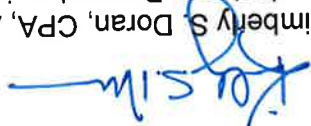
We draw attention to Note 1.C. to the Settlement of Duplicate, which describes that the settlement is prepared to present a reconciliation between the amount of County real estate taxes the Tax Collector is responsible to collect and the reported collection, liened and non-lienable amounts and is not intended to be a complete presentation of the Tax Collector's financial activities. The County has accepted the Settlement of Duplicate format as a means for presenting this reconciliation.

We also draw attention to Note 1.D. to the Settlement of Duplicate, which describes the basis of accounting. The Settlement of Duplicate is prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles.

Our opinion is not modified with respect to either matter.

**Restriction on Use**

This report is intended solely for the information and use of the Tax Collector and the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Kimberly S. Doran, CPA, Acting Bucks County Controller  
Doylestown, Pennsylvania

January 25, 2016  
15-02

County of Bucks  
Falls Township Tax Collector

Settlement of Duplicate  
For the Tax Year Ended January 15, 2015  
Tax Year 2014  
(Cash Basis)

Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:	
Carried Forward from Prior Year:	
2013 Tax Year - Interim Billings	\$ 676
2012 Tax Year - Interim Billings	50
Total Carried Forward from Prior Year	\$ 726
2014 Tax Year - Original Duplicate	7,381,061
2014 Tax Year - Interim Billings	14,218
2013 Tax Year - Interim Billings	217
Total Amount the Tax Collector is Responsible to Collect	\$ 7,396,222

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 7,129,643
Add: Discounts taken by Taxpayers	133,486
Less: Penalties paid by Taxpayers	(16,268)
Amount Collected at Face Value of Tax Bills	\$ 7,246,861
Unpaid Taxes to be Liened as Reported to the County:	
2014 Tax Year - Original Duplicate/Interim Billings	148,267
2013 Tax Year - Interim Billings	397
Total Unpaid Taxes before Lien Removals	148,664
Less: Lien Removals from January 16, 2015 to January 25, 2016	( - )
Net Unpaid Taxes to be Liened as Reported to the County	148,664
Less: Refunds at Face Value made by Finance Department from January 16, 2014 to January 25, 2016	( - )
Non-Lienables Carried Forward:	
2014 Tax Year - Interim Billings	691
2013 Tax Year - Interim Billings	6
2012 Tax Year - Interim Billings (See Below for Prior Audit Period Correction)	725
Total Non-Lienables Carried Forward	1,422
Total Amount Reported by Tax Collector	\$ 7,396,947
Variance - Net Amount Under/(Over) Reported to the County	(725)
Add: Prior Audit Period Missed Debit Interim Notice Issued on January 15, 2015	725
Net Variance - Net Amount Under/(Over) Reported to the County	\$ -

See Notes to the Settlement of Duplicate.

NOTES TO THE SETTLEMENT OF DUPLICATE

**1. Summary of Significant Accounting Policies**

The major accounting principles and practices followed by the Tax Collector and the County are presented below to assist the reader in understanding the Settlement of Duplicate. The accounting principles and practices are presented in conformity with a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

**A. Nature of Operations**

The Tax Collector is an elected official designated to collect County real estate taxes as well as other taxes. In this jurisdiction, the Tax Collector is an elected official that serves a four (4) year term.

**B. Reporting Entity**

The accompanying Settlement of Duplicate is presented from only the financial transactions/records directly related to the County real estate taxes handled by the Tax Collector. The financial transactions consist primarily of real estate taxes collected, discounts taken and penalties paid. The Settlement of Duplicate does not present the financial activities of the Tax Collector or the County taken as a whole.

**C. Basis of Presentation**

The County requires Tax Collectors to settle County real estate taxes on or before January 15<sup>th</sup> of the succeeding year. As such, the County accepted the Settlement of Duplicate format to reflect the activities associated with the settlement of County real estate tax duplicates in the Tax Collector's possession during the period under audit. Specifically, the Settlement of Duplicate presents a reconciliation between the amount of County real estate taxes the Tax Collector is responsible to collect and the collection, lien and non-lienable amounts reported by the Tax Collector.

Section 25 (Collection and Payment Over of Taxes) of the *Local Tax Collection Law* requires the Tax Collector to report the monthly real estate tax activities to the County on a standardized form commonly known as the MRTD sheet. Except for the "Refunds at Face Value made by Finance Department" amount, the amounts presented under the "Amount Reported by Tax Collector" section of the Settlement of Duplicate is an accumulation of information reported on the MRTD sheets for the given tax year.

**D. Basis of Accounting**

The Tax Collector prepares the required MRTD sheets in accordance with the financial reporting provisions prescribed by the Pennsylvania Department of Community and Economic Development, which is essentially the cash basis of accounting. Since the accompanying Settlement of Duplicate is primarily a summary of amounts reported on the MRTD sheets for the given tax year, the Settlement of Duplicate is prepared and presented on the same basis. Under the cash basis, the only asset recognized is cash, and no liabilities are recognized. Unless otherwise noted, the County portion of the real estate tax revenue collected and disbursed by the Tax Collector during a given

NOTES TO THE SETTLEMENT OF DUPLICATE

**1. Summary of Significant Accounting Policies (Continued)**

**D. Basis of Accounting (Continued)**

tax year is presented on the accompanying Settlement of Duplicate as the "Amount Collected from Taxpayers as Reported to the County". The cash basis differs from U.S. generally accepted accounting principles primarily because the effects of accounts receivable and accounts payable are not reflected in the accompanying Settlement of Duplicate. The cash basis of accounting is an acceptable basis of accounting for the Settlement of Duplicate.

**E. Amount to be Collected**

Upon successful settlement of a prior year duplicate, on February 1<sup>st</sup> of each year the County issues to the Tax Collector the current year's tax duplicate, which represents County real estate taxes to be collected. In addition to the duplicate, the County may issue, throughout the year, interim adjustments. Therefore, the total amount of County real estate taxes to be collected in a tax year is the duplicate amount plus and/or minus any interim adjustment amounts.

**F. Cash**

Deposits in the banking institutions are insured by the Federal Deposit Insurance Corporation and/or are fully collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly.

**G. Original Duplicate/Interim Billings**

The Original Duplicate/Interim Billings amounts presented under the "Amount the Tax Collector is Responsible to Collect" on the accompanying Settlement of Duplicate represent the total original duplicate plus and/or minus all applicable interim adjustments issued for the period indicated.

**H. Date of Management's Review**

The Tax Collector has evaluated subsequent events through January 25, 2016, the date on which the Settlement of Duplicate was available to be issued. No events have taken place that affect the Settlement of Duplicate or require disclosure.

**2. Prior Audit Period Missed Debit Interim Notice**

As noted in the prior audit, the Tax Collector did not report or prepare the applicable interim tax notice pertaining to a 2012 tax year debit interim adjustment issued in August 2013. To correct this oversight, the Tax Collector issued the interim tax notice on January 15, 2015 and reported the issuance on the Non-Lienable Carried Forward List under the 2012 Tax Year - Interim Billing amount. Since this interim was not issued in the 2014 Tax Year, which ended on January 15, 2015, it was not included in the "Total Amount the Tax Collector is responsible to Collect" on the accompanying Settlement of Duplicate.

*Continued...*



NOTES TO THE SETTLEMENT OF DUPLICATE

**2. Prior Audit Period Missed Debit Interim Notice (Continued)**

However, since the Tax Collector recognized and reported this interim billing amount in the 2014 Tax Year, the \$725 is included in the "Total Amount Reported by Tax Collector" on the accompanying Settlement of Duplicate for the tax year ended January 15, 2015.

Continued...

The Tax Collector's written response to the findings identified in our audit and presented in the Report to Management was not subjected to the audit procedures applied in the audit of the Settlement of Duplicate and, accordingly, we express no opinion on it.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in F1. of the Internal Control and Cash – Bank Analysis sections of the Report to Management to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Tax Collector's Settlement of Duplicate will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

In planning and performing our audit of the Settlement of Duplicate, for the tax year ended January 15, 2015, in accordance with U.S. generally accepted auditing standards, we considered the Tax Collector's internal control over the financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Settlement of Duplicate, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control.

To Commissioner Robert G. Loughery, Chairman  
County of Bucks  
Commissioners' Office  
55 East Court Street  
Doylestown, PA 18901

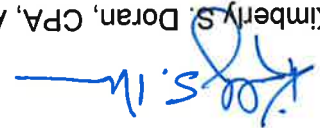
**REPORT ON SIGNIFICANT DEFICIENCIES  
AND MATERIAL WEAKNESSES**

**CONTROLLER'S OFFICE**  
COUNTY OF BUCKS  
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Falls Township Tax Collector  
REPORT TO MANAGEMENT

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Kimberly S. Doran, CPA, Acting Bucks County Controller  
Doylestown, Pennsylvania

January 25, 2016  
15-02

COVER LETTER

We have audited the Settlement of Duplicate, applicable to County real estate taxes of the Tax Collector, for the tax year ended January 15, 2015. Professional standards require that we provide the Tax Collector with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to the Tax Collector dated January 21, 2015. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

*Qualitative Aspects of Accounting Practices*

The Tax Collector is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Tax Collector are described in Note 1 to the Settlement of Duplicate. No new accounting policies were adopted and the application of existing policies was not changed during the audit period. We noted no transactions entered into by the Tax Collector during the audit period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Settlement of Duplicate in the proper period. The Settlement of Duplicate disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with the Tax Collector in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. As a result of the audit procedures, we did not detect any misstatements that required correction by management.

*Disagreements with the Tax Collector*

For purposes of this letter, a disagreement with the Tax Collector is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Settlement of Duplicate or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Representations from the Tax Collector*

We have requested certain representations from the Tax Collector that are included in the management representation letter dated January 25, 2016.

*Continued...*

COVER LETTER

Purpose

In reviewing this report, it is important to remember that this letter addresses those conditions that we believe should be brought to the attention of the Tax Collector, and accordingly, does not recite the many sound controls that presently exist. Furthermore, our suggestions should not be construed as a criticism of or a reflection on the integrity of the Tax Collector.

Report Distribution

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FINDINGS AND RECOMMENDATIONS

Legend:

F – Finding

R – Recommendation

The Tax Collector's Office consisted of one (1) Tax Collector and one (1) Assistant.

During our audit, we became aware of significant deficiencies in internal control that have been identified as such in the separate report titled "Report on Significant Deficiencies and Material Weaknesses" dated January 25, 2016. The Internal Control and Cash – Bank Analysis sections of the Report to Management detail the significant deficiencies noted in the Tax Collector's control environment and our recommendations for improvement. The Report to Management does not affect our "Independent Auditors' Report" dated January 25, 2016, on the Tax Collector's Settlement of Duplicate.

Internal Control

A review of the internal control environment disclosed the following:

F1. A review of the financial transactions recorded and the procedures performed by the Tax Collector revealed that there was a general lack of segregation of duties among the authorization, execution and recording of the County real estate tax transactions and the related assets.

R1. Although the small size of the office staff limits the extent of separation of duties, certain steps should be taken to separate incompatible duties. The basic premise to any internal control structure is that no one (1) individual should have access to both physical assets and the related accounting records or to all phases of a transaction.

Auditee's Response:

F1. As the elected Tax collector it is my responsibility to perform my duties. Everything is done to the best of our abilities with only myself and a part time employee.

Cash – Bank Analysis

Included within the audit were procedures to verify, through random selection of monthly bank statements, that the Tax Collector made only appropriate disbursements, maintained up-to-date checkbook balances, prepared monthly bank reconciliations and utilized the account for only tax collection activities.

F1. The analysis disclosed that the Tax Collector did not prepare written monthly bank reconciliations for a majority of the months within the audit period. Furthermore, the Tax Collector did not maintain an accurate checkbook balance. Consequently, the auditors were unable to draw any conclusions about the Tax Collector's ability to reconcile the bank account balance to the tax collection records for the audit period.

Continued...

FINDINGS AND RECOMMENDATIONS

Cash – Bank Analysis (Continued)

R1. On a monthly basis, the Tax Collector should prepare written bank reconciliations listing deposits-in-transit, outstanding checks, adjustments and reconciling items. In order to provide up-to-date bank balance information, all deposits, disbursements and adjustments should be posted to the checkbook daily. Furthermore, the maintenance of an up-to-date checkbook balance will provide the Tax Collector with a basis for determining deposits-in-transit, outstanding checks and other reconciling items.

F2. The analysis of the service charges assessed to the bank account utilized for County real estate tax activities disclosed that there was \$18 of unreimbursed charges, which had remained unreimbursed from the prior audit period.

R2. To rectify this condition, the Tax Collector should contact the bank to request the bank to reimburse the bank account for the total amount of unreimbursed service charges.

Auditee's Response:

F1. I do settle out the bank account on line every day when I make my wires. It is done on-line thru my bank.

F2. Will do.

Cash Receipts Analysis

As a part of the audit, we reviewed a sample of paid tax notices and deposits to determine whether payments were properly recorded and deposited intact and in a timely manner.

F1. An analysis of the deposits sampled revealed that in 33% of the three (3) deposits examined, the Tax Collector was unable to provide adequate documentation to substantiate the amount of the deposit. Consequently, we were unable to verify all aspects of this deposit.

R1. The Tax Collector should be reminded of the importance of maintaining all documentation that supports deposits of County real estate taxes.

F2. The Tax Collector did not retain the postmarked envelopes for tax payments postmarked by the end of the discount or face periods but received in the face and penalty periods. Consequently, we were unable to verify four (4) tax payments processed by the Tax Collector. Furthermore, two (2) of the payments lacking postmarked envelopes were deposited from nine (9) to fourteen (14) days later. Given the absence of postmarked envelopes, \$34 of reduced collections pertaining to these two (2) payments could not be confirmed.

R2. The Tax Collector should retain the delivery envelopes for all tax payments received in a current collection period but postmarked on or before the end of the previous collection period. The envelopes should be attached to the applicable paid tax bills. Implementation of this procedure will provide the necessary documentation to substantiate discount payments reported in the face period and face payments reported in the penalty period.

Continued...

FINDINGS AND RECOMMENDATIONS

Cash Receipts Analysis (Continued)

Auditee's Response:

F1. Will do.

F2. Will do.

Compliance

In order to determine whether the Tax Collector was in compliance with certain provisions of the *Tax Collector's Manual, Local Tax Collection Law* and County policies, we reviewed MRTD sheets, tax notices, disbursement practices and other appropriate documentation.

F1. A review of the credit interim adjustments, which are issued by the Board of Assessment, disclosed that the adjusted tax notices were not issued in a timely manner in 50% of the two (2) applicable credit interim adjustments analyzed.

R1. The Tax Collector should be reminded of the importance of issuing adjusted tax notices in accordance with the guidelines established in the *Tax Collector's Manual*.

Auditee's Response:

F1. All interims are processed on the 1<sup>st</sup> day of the first month after they are issued. This keeps all due dates organized.



EXIT CONFERENCE ATTENDANCE

An exit conference was not held. The Tax Collector chose to respond by electronic mail, which was received on January 25, 2016.