



# CONTROLLER'S OFFICE

COUNTY OF BUCKS

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

December 27, 2016

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

Re: Audit of Diane Telly, Hilltown Township Tax Collector

Dear Chairman Loughery:

Enclosed is the report for the audit of the Settlement of Duplicates for the Bucks County real estate taxes of the Hilltown Township Tax Collector, Diane Telly, for the tax years ended January 15, 2016, 2015 and 2014. The January 15<sup>th</sup> dates reflect the settlement dates for the three tax years 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) 348-6563 between 7:00 a.m. and 5:00 p.m.

Sincerely,

Michael J. Gallagher  
Bucks County Controller

16-18  
MJG/mkw

cc: Diane Telly, Hilltown Township Tax Collector  
Brian Hessenthaler, CPA, Chief Operating Officer, Commissioners' Office, County of Bucks  
David P. Boscola, Director, Finance Department, County of Bucks

COUNTY OF BUCKS  
DIANE TELLY  
HILLTOWN TOWNSHIP TAX COLLECTOR  
For the Period  
January 16, 2013 through January 15, 2016

County of Bucks  
Diane Telly  
Hilltown Township Tax Collector  
For the Period January 16, 2013 through January 15, 2016

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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 Duplicates – cash basis, applicable to Bucks County (County) real estate taxes of the Hilltown Township Tax Collector (Tax Collector), for the tax years ended January 15, 2016, 2015 and 2014, and the related note to the Settlement of Duplicates.

### **Management's Responsibility for the Settlement of Duplicates**

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 Duplicates 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 Duplicates 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 Duplicates that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Settlement of Duplicates 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 Duplicates are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Settlement of Duplicates. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Settlement of Duplicates, 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 Duplicates 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 Duplicates.

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 Duplicates referred to in the first paragraph present fairly, in all material respects, the total amount the Tax Collector is responsible to collect and the total amount reported by the Tax Collector, for the tax years ended January 15, 2016, 2015 and 2014, 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 Duplicates, 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 Duplicates, which describes the basis of accounting. The Settlement of Duplicates are 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, Bucks County Deputy Controller  
Doylestown, Pennsylvania

December 12, 2016  
16-18

County of Bucks  
Hilltown Township Tax Collector

Settlement of Duplicate  
For the Tax Year Ended January 15, 2016  
Tax Year 2015  
(Cash Basis)

Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:

Total Carried Forward from Prior Year	\$ 2,577
2015 Tax Year - Original Duplicate	5,020,351
2015 Tax Year - Interim Billings	35,726
2014 Tax Year - Interim Billings	<u>1,602</u>
<b>Total Amount the Tax Collector is Responsible to Collect</b>	<b><u>\$ 5,060,256</u></b>

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 4,921,652	
Add: Discounts taken by Taxpayers	90,130	
Less: Penalties paid by Taxpayers	<u>(8,339)</u>	
Amount Collected at Face Value of Tax Bills		\$ 5,003,443
Unpaid Taxes to be Liened as Reported to the County:		
2015 Tax Year - Original Duplicate/Interim Billings	52,996	
2014 Tax Year - Interim Billings	<u>343</u>	
Total Unpaid Taxes before Lien Removals	53,339	
Less: Lien Removals from January 16, 2016 to December 12, 2016	<u>( - )</u>	
Net Unpaid Taxes to be Liened as Reported to the County		53,339
Less: Refunds at Face Value made by Finance Department from January 16, 2015 to December 12, 2016		( - )
Total Non-Lienables Carried Forward:		
2015 Tax Year - Interim Billings		<u>3,474</u>
<b>Total Amount Reported by Tax Collector</b>		<b><u>\$ 5,060,256</u></b>
Variance - Net Amount Under/(Over) Reported to the County		<u>\$ -</u>

See Note to the Settlement of Duplicates.

County of Bucks  
Hilltown Township Tax Collector

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

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Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:

Total Carried Forward from Prior Year	\$ 4,974
2014 Tax Year - Original Duplicate	4,973,950
2014 Tax Year - Interim Billings	24,548
2013 Tax Year - Interim Billings	<u>1,199</u>
Total Amount the Tax Collector is Responsible to Collect	<u>\$ 5,004,671</u>

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 4,873,654
Add: Discounts taken by Taxpayers	88,732
Less: Penalties paid by Taxpayers	<u>(11,570)</u>
Amount Collected at Face Value of Tax Bills	\$ 4,950,816
Unpaid Taxes to be Liened as Reported to the County:	
2014 Tax Year - Original Duplicate/Interim Billings	<u>51,278</u>
Total Unpaid Taxes before Lien Removals	51,278
Less: Lien Removals from January 16, 2015 to December 12, 2016	<u>( - )</u>
Net Unpaid Taxes to be Liened as Reported to the County	51,278
Less: Refunds at Face Value made by Finance Department from January 16, 2014 to December 12, 2016	( - )
Total Non-Lienables Carried Forward:	
2014 Tax Year - Interim Billings	<u>2,577</u>
Total Amount Reported by Tax Collector	<u>\$ 5,004,671</u>
Variance - Net Amount Under/(Over) Reported to the County	<u>\$ -</u>

See Note to the Settlement of Duplicates.

County of Bucks  
Hilltown Township Tax Collector

Settlement of Duplicate  
For the Tax Year Ended January 15, 2014  
Tax Year 2013  
(Cash Basis)

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Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:	\$	2,696
2013 Tax Year - Original Duplicate		4,944,993
2013 Tax Year - Interim Billings		15,828
2012 Tax Year - Interim Billings		<u>3,997</u>
Total Amount the Tax Collector is Responsible to Collect	\$	<u>4,967,514</u>

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$	4,824,728
Add: Discounts taken by Taxpayers		88,029
Less: Penalties paid by Taxpayers		<u>(10,996)</u>
Amount Collected at Face Value of Tax Bills	\$	4,901,761
Unpaid Taxes to be Liened as Reported to the County:		
2013 Tax Year - Original Duplicate/Interim Billings		<u>60,779</u>
Total Unpaid Taxes before Lien Removals		60,779
Less: Lien Removals from January 16, 2014 to December 12, 2016		<u>( - )</u>
Net Unpaid Taxes to be Liened as Reported to the County		60,779
Less: Refunds at Face Value made by Finance Department from January 16, 2013 to December 12, 2016		( - )
Total Non-Lienables Carried Forward:		
2013 Tax Year - Interim Billings		<u>4,974</u>
Total Amount Reported by Tax Collector	\$	<u>4,967,514</u>
Variance - Net Amount Under/(Over) Reported to the County	\$	<u>-</u>

See Note to the Settlement of Duplicates.



NOTE TO THE SETTLEMENT OF DUPLICATES

**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 Duplicates. 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 Duplicates are 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 Duplicates do 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 Duplicates are primarily summaries of amounts reported on the MRTD sheets for the given tax years, the Settlement of Duplicates are prepared and presented on the same basis. Under the cash basis, the only asset recognized is

*Continued...*

NOTE TO THE SETTLEMENT OF DUPLICATES

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

D. Basis of Accounting (Continued)

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 tax year is presented on the accompanying Settlement of Duplicates 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 Duplicates. The cash basis of accounting is an acceptable basis of accounting for the Settlement of Duplicates.

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 Duplicates 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 December 12, 2016, the date on which the Settlement of Duplicates were available to be issued. No events have taken place that affect the Settlement of Duplicates or require disclosure.



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## COUNTY OF BUCKS

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### REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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

In planning and performing our audit of the Settlement of Duplicates, for the tax years ended January 15, 2016, 2015 and 2014, 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 Duplicates, 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.

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 a certain deficiency in internal control that we consider to be a significant deficiency.

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 Duplicates 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.

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 deficiency described in F1. of the Internal Control section of the Report to Management to be a significant deficiency.

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 Duplicates and, accordingly, we express no opinion on it.

*Continued...*

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

December 12, 2016  
16-18

REPORT TO MANAGEMENT

COVER LETTER

We have audited the Settlement of Duplicates, applicable to County real estate taxes of the Tax Collector, for the tax years ended January 15, 2016, 2015 and 2014. 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 April 27, 2016. 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 Duplicates. 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 Duplicates 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 Duplicates 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 December 12, 2016.

*Continued...*

Hilltown Township Tax Collector

REPORT TO MANAGEMENT

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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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Legend:

F – Finding

R – Recommendation

The Tax Collector's Office consisted of one (1) Tax Collector, two (2) Deputy Tax Collectors and one (1) Assistant.

During our audit, we became aware of a significant deficiency in internal control that has been identified as such in the separate report titled "Report on Significant Deficiencies and Material Weaknesses" dated December 12, 2016. The Internal Control section of the Report to Management details the significant deficiency noted in the Tax Collector's control environment and our recommendation for improvement. The Report to Management does not affect our "Independent Auditors' Report" dated December 12, 2016, on the Tax Collector's Settlement of Duplicate.

Internal Control

A review of the internal control environment disclosed the following:

- F1. Although the Tax Collector deputized two (2) individuals, it is our understanding that this procedure was solely for emergency purposes and that the deputies performed no functions related to the daily activities of the Tax Collector's office during the audit period. A review of the financial transactions recorded and the procedures performed by the Tax Collector and the assistant 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. The elected tax collector is solely responsible for the collection and transmittal of tax funds. Any assistants or deputies who work for the collector are under the tax collector's liability. If an error is made, the collector will be the sole person responsible for that error. Bearing that liability, it is the collector's responsibility to oversee the entire tax collection process in his or her office.

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.

*Continued...*

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash-Bank Analysis (Continued)

- F1. A review of the May 2013 bank statement disclosed that the Tax Collector accepted the repayment of one (1) tax payment that was initially paid by check in the prior collection period but was returned by the bank as having non-sufficient funds. Since the repayment was processed in the face period, the appropriate tax payment amount should have included an additional \$9, which represented the 2% discount. Consequently, the acceptance of this transaction by the Tax Collector resulted in a \$9 under submission of County real estate taxes.
- R1. The Tax Collector should be reminded of the importance of insuring that the amount of the real estate tax payment is appropriate for the period in which it was collected. In accordance with Section X of the *Tax Collector's Manual*, "Acceptance of a check from a taxpayer is at most only a conditional payment of taxes; the taxes are not considered fully paid until the check has cleared." Furthermore, the Tax Collector should contact the Finance Department for clarification on the policy for handling checks returned for insufficient funds.

Auditee's Response:

- F1. Hilltown Tax Office policy was to allow one redeposit of a tax payment when returned due to Insufficient Funds. Tax payments are scanned in office and the timing of the scan is often quicker than the taxpayer is expecting. It was our courtesy to allow a redeposit, as many people were not aware of how quickly a scanned check would be cleared. I have changed our office policy to not allow for the redeposit of a returned check when the deadline has passed. In those instances, the bill will be reinstated as unpaid and the homeowner will be notified that a new payment is due.



EXIT CONFERENCE ATTENDANCE

An exit conference was not held. The Tax Collector chose to respond by electronic mail, which was received on December 12, 2016.