



CONTROLLER'S OFFICE

COUNTY OF BUCKS

Administration Building

55 East Court Street, Doylestown, PA 18901-4318

(215) 348-6435 • Fax (215) 348-6107

June 15, 2017

Commissioner Charles H. Martin, Chairman
County of Bucks
Commissioners' Office
55 East Court Street
Doylestown, PA 18901

Re: Audit of Richard Sabol, New Britain Borough Tax Collector

Dear Chairman Martin:

Enclosed is the report for the audit of the Settlement of Duplicates for the Bucks County real estate taxes of the New Britain Borough Tax Collector, Richard Sabol, for the tax years ended January 15, 2016 and 2015. The January 15th dates reflect the settlement dates for the two 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) 348-6556 between 7:00 a.m. and 5:00 p.m.

Sincerely,

Michael J. Gallagher
Bucks County Controller

16-19
MJG/mkw

cc: Richard Sabol, New Britain Borough 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
RICHARD SABOL
NEW BRITAIN BOROUGH TAX COLLECTOR
For the Period
January 16, 2014 through January 15, 2016

County of Bucks
Richard Sabol
New Britain Borough Tax Collector
For the Period January 16, 2014 through January 15, 2016

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INDEPENDENT AUDITORS' REPORT

To Commissioner Charles H. Martin, 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 New Britain Borough Tax Collector (Tax Collector), for the tax years ended January 15, 2016 and 2015, and the related notes 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 and 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 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

June 2, 2017
16-19

County of Bucks
New Britain Borough 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	\$	783
2015 Tax Year - Original Duplicate		758,658
2015 Tax Year - Interim Billings		<u>225</u>
Total Amount the Tax Collector is Responsible to Collect	\$	<u>759,666</u>

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$	734,563
Add: Discounts taken by Taxpayers		13,232
Less: Penalties paid by Taxpayers		<u>(1,897)</u>
Amount Collected at Face Value of Tax Bills	\$	745,898
Unpaid Taxes to be Liened as Reported to the County:		
2015 Tax Year - Original Duplicate/Interim Billings		13,715
2014 Tax Year - Interim Billings		<u>55</u>
Total Unpaid Taxes before Lien Removals		13,770
Less: Lien Removals from January 16, 2016 to June 2, 2017		<u>(-)</u>
Net Unpaid Taxes to be Liened as Reported to the County		13,770
Less: Refunds at Face Value made by Finance Department from January 16, 2015 to June 2, 2017		(-)
Total Non-Lienables Carried Forward:		
2015 Tax Year - Interim Billings		<u>168</u>
Total Amount Reported by Tax Collector	\$	<u>759,836</u>
Variance - Net Amount Under/(Over) Reported to the County	\$	<u>(170)</u>

See Notes to the Settlement of Duplicates.

County of Bucks
New Britain Borough 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	\$	842
2012 Tax Year - Interim Billings		841
2011 Tax Year - Interim Billings		532
2010 Tax Year - Interim Billings		532
2009 Tax Year - Interim Billings		532
2008 Tax Year - Interim Billings		532
2007 Tax Year - Interim Billings		<u>532</u>

Total Carried Forward from Prior Year \$ 4,343

2014 Tax Year - Original Duplicate 757,437

2014 Tax Year - Interim Billings 783

2013 Tax Year - Interim Billings 10

Total Amount the Tax Collector is Responsible to Collect \$ 762,573

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County \$ 734,392

Add: Discounts taken by Taxpayers 13,532

Less: Penalties paid by Taxpayers (1,852)

Amount Collected at Face Value of Tax Bills \$ 746,072

Unpaid Taxes to be Liened as Reported to the County:

2014 Tax Year - Original Duplicate/Interim Billings 11,752

2013 Tax Year - Interim Billings 563

2012 Tax Year - Interim Billings 563

2011 Tax Year - Interim Billings 532

2010 Tax Year - Interim Billings 532

2009 Tax Year - Interim Billings 532

2008 Tax Year - Interim Billings 532

2007 Tax Year - Interim Billings 532

Total Unpaid Taxes before Lien Removals 15,538

Less: Lien Removals from January 16, 2015 to June 2, 2017 (-)

Net Unpaid Taxes to be Liened as Reported to the County 15,538

Less: Refunds at Face Value made by Finance Department from
January 16, 2014 to June 2, 2017 (-)

Total Non-Lienables Carried Forward:

2014 Tax Year - Interim Billings 783

Total Amount Reported by Tax Collector \$ 762,393

Variance - Net Amount Under/(Over) Reported to the County \$ 180

See Notes to the Settlement of Duplicates.

NOTES 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 15th 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-lien 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...

NOTES 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 1st 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 and, if applicable, the 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 June 2, 2017, 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.

2. Net Amount Under/(Over) Reported to the County

As indicated on the accompanying Settlement of Duplicates, the Tax Collector over reported \$170 for the tax year ended January 15, 2016 and under reported \$180 for the tax year ended January 15, 2015. The specific causes of these variances are further discussed in the Report to Management.

Continued...

NOTES TO THE SETTLEMENT OF DUPLICATES

3. Remittances to the County

The \$734,563 reported on the accompanying Settlement of Duplicate for the tax year ended January 15, 2016 as the "Amount Collected from Taxpayers as Reported to the County" is derived from the MRTD sheets submitted by the Tax Collector to the County. A comparison of the amount reported to be collected to the amount actually disbursed to the County disclosed that the Tax Collector actually disbursed \$734,387 as of the settlement date, which resulted in an under submission of \$176. The specific details of this variance are further discussed in the Report to Management.



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REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To Commissioner Charles H. Martin, 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 and 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 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 certain deficiencies in internal control that we consider to be significant deficiencies.

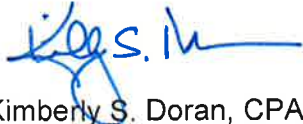
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Tax Collector's Settlement of 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 deficiencies described in F1. of the Internal Control, Cash-Bank Analysis, Cash Receipts Analysis and Disbursements Analysis sections, F1. and F2. of the Compliance section and F1. – F3. of the Settlement of Duplicate section of the Report to Management to be significant deficiencies.

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

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

June 2, 2017
16-19

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 and 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 May 9, 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 were not trivial applicable to the Settlement of Duplicate for the tax year ended January 15, 2015. However, the Settlement of Duplicate section of the Report to Management provides details of the uncorrected misstatements to the Settlement of Duplicate for the tax year ended January 15, 2016. Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the Settlement of Duplicate taken as a whole for that tax year.

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.

Continued...

New Britain Borough Tax Collector

REPORT TO MANAGEMENT

COVER LETTER

Representations from the Tax Collector

We have requested certain representations from the Tax Collector that are included in the management representation letter dated June 2, 2017.

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 certain 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

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.

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Legend:

F – Finding

R – Recommendation

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

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 June 2, 2017. The Internal Control, Cash-Bank Analysis, Cash Receipts Analysis, Disbursements Analysis, Compliance and Settlement of Duplicate 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 June 2, 2017, on the Tax Collector's Settlement of Duplicates.

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 a one-person staff does not afford the Tax Collector the opportunity to separate incompatible duties, audit guidance requires the reporting of such a condition. 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 Tax Collector office consists of one person.

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. In order to determine whether the Tax Collector maintained adequate accounting records to support the source of funds that made up the \$36,426 and \$39,909 adjusted bank statement balances as of January 15, 2016 and 2015, respectively, we reviewed documents and inquired as to the composition of these balances. This analysis disclosed that the Tax Collector believed that \$1,050 and \$1,052 of the adjusted bank statement balances, respectively, were applicable to duplicate school tax payments collected but did not provide any documentation to substantiate that belief.
- R1. If this condition still exists, the Tax Collector should immediately take the necessary steps to determine and document the composition of the bank statement balance.
- F2. The analysis disclosed that the Tax Collector did not properly prepare the December 2015 bank reconciliation. All sections of the reconciliation were not completed and the incorrect check register balance was used.
- R2. The Tax Collector should be reminded of the importance of preparing an accurate bank reconciliation.
- F3. A random selection of deposits made by the Tax Collector during the discount and face collection periods disclosed that the tax payments were not deposited by the next business day in 17% of the six (6) deposits examined.
- R3. All tax payments should be processed, posted, reconciled and deposited intact on the day of payment or by the next business day.

Auditee's Response:

- F1. To be forwarded to school district
- F2. Difference acknowledged
- F3. During this time TD Bank no longer offered free banking. Current bank, while free, is not favorable in terms of distance or hours. Collection occurs on Tuesday evening and Saturday.

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 a sample of debit interim adjustments disclosed that the receipt information applicable to an interim tax bill payment could not be traced to the Tax Collector's records in 50% of the two (2) debit interim adjustments examined. Consequently, the auditors were unable to verify that this was a valid payment.
- R1. The Tax Collector should be reminded of the importance of maintaining all documentation that supports deposits of County real estate taxes.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash Receipts Analysis (Continued)

Auditee's Response:

- F1. Error acknowledged

Disbursements Analysis

As a part of the audit, we reviewed a sample of the disbursements from the tax account to determine the adequacy of the supporting documentation and the propriety of the check.

- F1. An analysis of the Tax Collector's refund procedures disclosed that eleven (11) duplicate payments totaling \$10,424 processed by the Tax Collector during Tax Years 2011 through 2015 were not refunded to the affected taxpayers as of the June 2, 2016 fieldwork date.
- R1. The Tax Collector should be reminded of the importance of refunding duplicate/over payments to the proper recipients within a reasonable time period not to exceed thirty (30) days. Furthermore, if this condition still exists, the Tax Collector should immediately identify the payees' current mailing addresses and issue the necessary refunds.

Auditee's Response:

- F1. Forwarded to the state for reimbursement.

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. As a part of the audit, disbursements made by the Tax Collector to the County were reviewed in order to determine whether the Tax Collector was remitting real estate tax collections to the County in compliance with the *Local Tax Collection Law* and the guidelines issued by the Finance Department. This review revealed the following conditions:
- The final disbursement of real estate tax collections for a given month did not occur until after the tenth day of the following month in 17% of the eighteen (18) applicable months examined.
 - At times, the Tax Collector remitted funds to the County in advance of the collection and deposit of those funds into the bank account.
- R1. The Tax Collector should be reminded of the importance of remitting funds to the County:
- In compliance with Section 25 of the *Local Tax Collection Law*, which states that "The collector shall pay over on or before the tenth day of each month... all monies collected as taxes during the previous month..."
 - Only after the applicable collections have been processed and deposited.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Compliance (Continued)

- F2. An analysis of the MRTD sheets submitted to the County revealed the following conditions:
- In 23% of the twenty-two (22) sheets filed, the reported real estate tax collections did not agree to the actual remittances made to the County by the Tax Collector.
 - In one (1) of the months where the reported collections did not equal the actual remittances, the Tax Collector did not resolve the \$10,253 over remittance error until eight (8) months later. However, although the reported collections eventually equaled the actual remittances, the adjustments were not properly reflected on the detailed remittance sheets attached to the MRTD sheets resulting in a \$10,253 overstatement to the reported remittances for the tax year ended January 15, 2015.
- R2. The Tax Collector should be reminded of the importance of properly and accurately completing the MRTD sheets. Furthermore, the Tax Collector should work with the Tax Administrator in the Finance Department to insure a prompt resolution to any errors.
- F3. During Tax Year 2015, the Tax Collector did not have a deputy Tax Collector in place as required under the amended Section 22 (Deputy Tax Collectors) of the *Local Tax Collection Law*.
- R3. If this condition still exists, the Tax Collector should take the necessary steps to have an appropriate person approved to serve as a deputy.

Auditee's Response:

- F1. Difference Acknowledged
- F2. Difference Acknowledged
- F3. Submitted an executed (2015) DCED-CLGS-05B (12-14) "Act 164-2014 Appointment of a Deputy Tax Collector Form" identifying a Deputy Tax Collector

Settlement of Duplicate

In order to determine whether the Settlement of Duplicates were accurately presented, we reviewed the MRTD sheets submitted to the Finance Department. The review included a verification of the cash collected, discounts taken, penalties paid and debit and credit interims including lienable and non-lienable amounts.

- F1. An overall review of debit and credit interim adjustments issued to the Tax Collector disclosed the following conditions:

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

- The Tax Collector did not timely report the utilization of the debit interim adjustments on the MRTD sheets in 58% of the twelve (12) adjustments. The untimely reporting ranged from one (1) to three (3) months late.
- When the debit interim adjustments were reported on the applicable MRTD sheets, 70% of the ten (10) applicable adjustments had no interim tax notice issued until two (2) to ten (10) months later.
- The Tax Collector did not utilize one (1) credit interim adjustment resulting in one (1) parcel being liened at an incorrect higher amount. The effect of this condition on the accompanying Settlement of Duplicate for the tax year ended January 15, 2016 was a \$37 overstatement to the "Total Amount the Tax Collector is Responsible to Collect", the "Net Unpaid Taxes to be Liened as Reported to the County" amount and the "Total Amount Reported by Tax Collector."

Furthermore, a review of a sample of debit interim adjustments revealed the following:

- The interim tax notice was not issued by the Tax Collector in a timely manner in 100% of the ten (10) debit interim adjustments analyzed.
- One (1) interim tax notice did not correctly state the notice date. Consequently, the auditors were unable to determine whether collection periods were properly stated on the notice.
- One (1) interim tax notice prepared by the Tax Collector inappropriately netted a debit interim adjustment for one (1) parcel against a credit interim adjustment for another parcel that was applicable to the same taxpayer. Furthermore, the notice to correct this error was not issued until thirteen (13) months later.

R1. The Tax Collector should be reminded of the importance of the following:

- Timely reporting the utilization of the debit interim adjustments on the MRTD sheets.
- Reporting the utilization of debit interim adjustments only after the Tax Collector has generated and mailed the interim tax notices to the affected taxpayers.
- Promptly reviewing and timely addressing all credit interim adjustments. This would include utilizing credit interim adjustments on liened parcels when appropriate.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

- Generating and mailing interim tax notices in accordance with the guidelines established in Section VIII of the *Tax Collector's Manual*, which states "All affected taxpayers must be sent interim tax notices by the tax collectors within 10 days after receipt of duplicate additions".
- Accurately dating the interim tax notices.
- Creating separate interim tax notices for debit and credit adjustments issued on different parcels owned by the same taxpayer as required in Section IX of the *Tax Collector's Manual*.

F2. Although we determined that the combined Settlement of Duplicates as of the applicable lien dates were fairly presented, in all material respects, we noted the following variances within the individual settlement for the tax year ended January 15, 2015:

Item to be Settled	Under/(Over) Reported to the County
2007 Tax Year – Interim Billings	\$ -
2008 Tax Year – Interim Billings	-
2009 Tax Year – Interim Billings	-
2010 Tax Year – Interim Billings	-
2011 Tax Year – Interim Billings	-
2012 Tax Year – Interim Billings	180
2013 Tax Year – Interim Billings	-
2014 Tax Year – Original Duplicate/Interim Billings	-
Variance – Net Amount Under Reported to the County	<u>\$ 180</u>

Upon analyzing the net under reported variance, we believe that the following condition was attributed to the variance:

Variance – Net Amount Under Reported to the County	\$ 180
Less: One (1) debit interim carried forward from Tax Year 2013 not properly accounted for by the Tax Collector	<u>(180)</u> (a)
Unidentified Net Variance	<u>\$ -</u>

(a) One (1) debit interim adjustment issued in Tax Year 2013 for Tax Year 2012 and carried forward to Tax Year 2014 for \$218 was only billed and collected by the Tax Collector for \$38. The effect of this condition on the Settlement of Duplicate for the tax year ended January 15, 2015 resulted in a \$180 understatement of the "Total Amount Reported by Tax Collector."

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

We noted the following variances within the individual settlements for the tax year ended January 15, 2016:

Item to be Settled	Under/(Over) Reported to the County
2012 Tax Year – Interim Billings	\$ (180)
2014 Tax Year – Interim Billings	-
2015 Tax Year – Original Duplicate/Interim Billings	<u>10</u>
Variance – Net Amount Over Reported to the County	\$ <u>(170)</u>

Upon analyzing the net over reported variance, we believe that the following conditions were attributed to the variance:

Variance – Net Amount Over Reported to the County	\$ (170)	
Add: Improper billing and reporting of one (1) debit interim adjustment	180	(a)
Less: Improper adjustment to collections on December 2015 MRTD	<u>(10)</u>	(b)
Unidentified Net Variance	\$ <u>-</u>	

(a) The Tax Collector accepted and reported a tax payment applicable to one (1) debit interim bill issued by the Tax Collector for \$180 in Tax Year 2015 for Tax Year 2012, for the remaining portion that should have been billed and reported in Tax Year 2014. The effect of this condition on the Settlement of Duplicate for the tax year ended January 15, 2016 resulted in a \$180 overstatement of the "Total Amount Reported by Tax Collector."

(b) The Tax Collector reduced the collections reported on the December 2015 MRTD by \$10 in order to reconcile with the incorrect Balance Collectable - Beginning of Month reported on the June 2015 MRTD, which was understated by \$10. However, this adjustment was not required as the Balance Collectable - End of Month reported on the June 2015 MRTD was correctly stated with the \$10 still collectable included. The effect of this condition on the Settlement of Duplicate for the tax year ended January 15, 2016 resulted in a \$10 understatement of the "Total Amount Reported by Tax Collector."

R2. It is the Tax Collector's responsibility to properly handle all debit interim adjustments issued by the Board of Assessment and to settle all duplicates to zero.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

F3. As indicated in Note 3 to the Settlement of Duplicates, the amount of County real estate taxes actually remitted to the County for the tax year ended January 15, 2016 was \$176 less than the amount reported to be collected. Further review disclosed that the cause of this discrepancy was directly related to the collection of the interim tax from the corrected adjusted tax notice reported in F2. of this section. The funds have not been forwarded to the County as of June 2, 2017.

R3. If this condition still exists, the Tax Collector should immediately remit the funds to the County.

Auditee's Response:

F1. Difference Acknowledged

F2. Difference Acknowledged

F3. To be remitted

EXIT CONFERENCE ATTENDANCE

An exit conference was held via conference call on May 11, 2017. Those participating in the conference call were:

New Britain Borough Tax Office

Richard Sabol, Tax Collector

Controller's Office

Denise Rimby, CPA, Audit Supervisor

Eugene Lyall, Auditor

The results of the audit were presented and discussed in their entirety.