



CONTROLLER'S OFFICE

COUNTY OF BUCKS

Administration Building
55 East Court Street, Doylestown, PA 18901-4318
(215) 348-6435 • Fax (215) 348-5216

NEALE DOUGHERTY
Controller

KIMBERLY S. DORAN, CPA
Deputy Controller

September 17, 2018

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

Re: Audit of Walter Johnson, Richland 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 Richland Township Tax Collector, Walter Johnson, 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.

It should be noted that although the Tax Collector provided some information, he was both untimely and, in some instances, unresponsive in providing requested documentation. This led to significant delays in the completion of the audit and the issuance of the report.

Should you have any questions regarding this audit report, please call us at (215) 348-6556 between 7:00 a.m. and 5:00 p.m.

Sincerely,

Neale Dougherty
Bucks County Controller

16-20
ND/mkw

cc: Walter Johnson, Richland 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
WALTER JOHNSON
RICHLAND TOWNSHIP TAX COLLECTOR
For the Period
January 16, 2014 through January 15, 2016

County of Bucks
Walter Johnson
Richland Township Tax Collector
For the Period January 16, 2014 through January 15, 2016

TABLE OF CONTENTS

	Page(s)
<hr/> INDEPENDENT AUDITORS' REPORT <hr/>	1-2
SPECIAL-PURPOSE STATEMENTS:	
Settlement of Duplicate – For the Tax Year Ended January 15, 2016 (Cash Basis)	3
Settlement of Duplicate – For the Tax Year Ended January 15, 2015 (Cash Basis)	4
Notes to the Settlement of Duplicates	5-7
<hr/> REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES <hr/>	8-9
REPORT TO MANAGEMENT:	
Cover Letter	10-11
Findings and Recommendations	12-16
SUMMARY OF THE EXIT CONFERENCE	17



CONTROLLER'S OFFICE

COUNTY OF BUCKS

Administration Building

55 East Court Street, Doylestown, PA 18901-4318

(215) 348-6435 • Fax (215) 348-5216

NEALE DOUGHERTY
Controller

KIMBERLY S. DORAN, CPA
Deputy Controller

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 Richland Township 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. 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, lien 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.

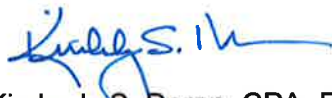
Our opinion is not modified with respect to either of these matters.

Other Matters

Although the Tax Collector filed MRTD sheets with the County's Finance Department that resulted in the settlement of the 2015 and 2014 tax years, the Tax Collector did not provide a detailed composition of the bank statement balance stated at \$208,140 as of January 15, 2016 nor did he provide adequate documentation to support the composition of the \$38,899 January 15, 2015 bank statement balance. Based on the importance of this analysis and as noted in F1. of the Cash – Bank Analysis section of the Report to Management, the auditors are unable to draw a conclusion as to whether the Tax Collector accurately accounted for all funds deposited into the bank account used for the collection and disbursement of County real estate taxes. Due to the importance of these compositions, the auditors performed additional procedures in an attempt to account for the remaining funds in the bank account as of the January 15, 2016 and January 15, 2015 settlement dates for these two (2) tax years. The results of these procedures are also discussed under F1. of the Cash – Bank Analysis section.

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

August 24, 2018
16-20

County of Bucks
Richland 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	\$ 1,352
2015 Tax Year - Original Duplicate	3,634,595
2015 Tax Year - Interim Billings	22,247
2014 Tax Year - Interim Billings	<u>1,239</u>

Total Amount the Tax Collector is Responsible to Collect \$ 3,659,433

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 3,507,619
Add: Discounts taken by Taxpayers	65,911
Less: Penalties paid by Taxpayers	<u>(8,471)</u>
Amount Collected at Face Value of Tax Bills	\$ 3,565,059

Unpaid Taxes to be Liened as Reported to the County:

2015 Tax Year - Original Duplicate/Interim Billings	92,042
2014 Tax Year - Interim Billings	<u>411</u>

Total Unpaid Taxes before Lien Removals 92,453

Less: Lien Removals from January 16, 2016 to August 24, 2018 (-)

Net Unpaid Taxes to be Liened as Reported to the County 92,453

Less: Refunds at Face Value made by Finance Department from
January 16, 2015 to August 24, 2018 (-)

Non-Lienables Carried Forward:

2015 Tax Year - Interim Billings	<u>1,921</u>
----------------------------------	--------------

Total Amount Reported by Tax Collector \$ 3,659,433

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

See Notes to the Settlement of Duplicates.

County of Bucks
Richland 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:

Total Carried Forward from Prior Year	\$ 1,962
2014 Tax Year - Original Duplicate	3,622,704
2014 Tax Year - Interim Billings	14,551
2013 Tax Year - Interim Billings	282
2012 Tax Year - Interim Billings	23
2011 Tax Year - Interim Billings	<u>11</u>

Total Amount the Tax Collector is Responsible to Collect \$ 3,639,533

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 3,502,407	
Add: Discounts taken by Taxpayers	65,639	
Less: Penalties paid by Taxpayers	<u>(9,834)</u>	
Amount Collected at Face Value of Tax Bills		\$ 3,558,212
Unpaid Taxes to be Liened as Reported to the County:		
2014 Tax Year - Original Duplicate/Interim Billings	79,967	
2013 Tax Year - Interim Billings	<u>2</u>	
Total Unpaid Taxes before Lien Removals	79,969	
Less: Lien Removals from January 16, 2015 to August 24, 2018	<u>(-)</u>	
Net Unpaid Taxes to be Liened as Reported to the County		79,969
Less: Refunds at Face Value made by Finance Department from January 16, 2014 to August 24, 2018		(-)
Total Non-Lienables Carried Forward:		
2014 Tax Year - Interim Billings		<u>1,352</u>
Total Amount Reported by Tax Collector		<u>\$ 3,639,533</u>
Variance - Net Amount Under/(Over) Reported to the County		<u>\$ -</u>

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 Report 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/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.

2. Remittances to the County

The \$3,502,407 reported on the accompanying Settlement of Duplicate for the tax year ended January 15, 2015 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 \$3,498,969 as of the January 15, 2015 settlement date, which resulted in a variance of \$3,438. On February 17, 2015, the Tax Collector forwarded an additional \$3,438 to the County that was applicable to the tax year 2014 Original Duplicate/Interim Billings collections. After consideration of this additional disbursement, the Tax Collector's remittances equaled the amount reported.

Continued...

NOTES TO THE SETTLEMENT OF DUPLICATES

3. Subsequent Events

Events subsequent to January 15, 2016 have been evaluated through August 24, 2018, the date the special-purpose statements were available to be issued, to determine whether they should be disclosed to keep the special-purpose statements from being misleading. The \$3,507,619 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 \$3,463,777 as of the January 15, 2016 settlement date, which resulted in a variance of \$43,842. In February 2016, the Tax Collector forwarded two (2) additional remittances to the County totaling \$43,842 that were applicable to the tax year 2015 Original Duplicate/Interim Billings collections. After consideration of these additional disbursements, the Tax Collector's remittances equaled the amount reported.



CONTROLLER'S OFFICE

COUNTY OF BUCKS

Administration Building

55 East Court Street, Doylestown, PA 18901-4318
(215) 348-6435 • Fax (215) 348-5216

NEALE DOUGHERTY
Controller

KIMBERLY S. DORAN, CPA
Deputy Controller

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 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. Furthermore, as stated in the Other Matters paragraph of the Independent Auditors' Report, the inability of the Tax Collector to provide detailed documentation to support the bank statement balances of \$208,140 and \$38,899 as of the January 15, 2016 and January 15, 2015 settlement dates, respectively, prohibited us from completing our evaluation on aspects of the Tax Collector's control environment. 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's 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.

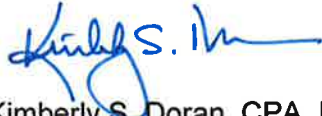
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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, F1. - F2. of the Cash – Bank Analysis and F2. of the Compliance sections 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

August 24, 2018
16-20

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 July 20, 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. It appears that 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

Although the audit was scheduled to start on August 2, 2016, the auditors did not receive access to a majority of the tax collection records until October 6, 2016. Even after a two (2) month delay, certain tax collection records, including the January 15th bank compositions, had still not been completed and/or provided by the Tax Collector. The auditors continued to work with the Tax Collector over the next two (2) years in an effort to obtain the necessary documentation to formulate an opinion regarding whether the accompanying Settlement of Duplicates were fairly presented in all material respects. As indicated in the Other Matters paragraph of the Independent Auditors' Report, additional procedures were performed by the auditors in an effort to account for the significant, unreconciled funds remaining in the bank account as of the January 15, 2016 and January 15, 2015 settlement dates for the 2015 and 2014 tax years, respectively. The difficulties encountered in obtaining the necessary records and information to complete the routine audit and the additional procedures lead to significant delays in the completion of the audit and the issuance of this report.

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 material misstatements that required correction by management. However, as indicated in the Other Matters paragraph of the Independent Auditors' Report, the Tax Collector did not provide all requested bank account and deposit documentation. The impact of these conditions are detailed in the Cash – Bank Analysis and Receipts Analysis sections of the Report to Management. Had that information been available, uncorrected misstatements to the Settlement of Duplicates may have been detected.

Continued...

Richland Township 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 August 24, 2018.

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.

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, one (1) Deputy and two (2) Assistants.

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 August 24, 2018. The Internal Control, Cash – Bank Analysis and Compliance 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 August 24, 2018, 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. Furthermore, although detailed collection records were maintained, accurate and timely reconciliations of those records to the bank account balance were either not performed or not performed timely.
- 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. Additionally, procedures should be put into place to ensure that a second person is trained on the bank reconciliation process. Implementation of this procedure will help to ensure timely and accurate monthly bank reconciliations.

Auditee's Response:

- F1. Due to the size of the office, the basic premise of segregating duties within the office is not possible. However, the tax collector shall endeavor to train the deputy in the bank reconciliation process.

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 balances per the bank statements as of January 15, 2016 and 2015, we reviewed documents and inquired as to the composition of these balances. This analysis disclosed the following:

- Although requested on multiple occasions, the Tax Collector did not provide any documentation to support the \$208,140 bank statement balance as of January 15, 2016.
- Although the Tax Collector attempted to provide a composition of the \$38,899 bank statement balance as of January 15, 2015, only \$161 could be adequately verified to supporting documentation. Consequently, the remaining \$38,738 was unaccounted for by the Tax Collector.

Given the significance of the unaccounted for funds in the County/Township bank account as of the January 15, 2016 and 2015 settlement dates, the auditors attempted to prepare the compositions based on the Tax Collector’s records. These additional audit procedures reduced the unidentified portions of the January 15, 2016 and 2015 bank statement balances to \$8 and \$(4), respectively.

Included in the January 15, 2016 composition were the following items:

Balance per Bank Statement as of January 15, 2016	\$208,140
Add: Accumulation of Unreimbursed Service Charges	41
Add: Accumulation of Over Remittances to Taxing Districts pertaining to five (5) parcels	2,164
Adjusted Bank Statement Balance	<u>210,345</u>
Less: Accumulation of Funds Due to Taxing Districts, which included \$89,196 from May 2015 to July 2015 collections	(186,135)
Less: Accumulation of thirty-two (32) untimely, pending refunds, which included eleven (11) refunds totaling \$8,604 pertaining to duplicate and overpayments deposited in 2014	(23,992)
Less: Accumulation of Immaterial Overages and Tax Collector Fees	(210)
Net Unidentified Funds in Bank Account as of January 15, 2016	<u>\$ 8</u>

R1. If this condition still exists, the Tax Collector should immediately take the necessary steps to determine the composition of the bank statement balance and provide that information to the Finance Department and the Controller’s Office.

The Tax Collector should be reminded of the importance of requesting refunds on over remittances and refunding duplicate/over payments to the proper recipients within a reasonable time period not to exceed thirty (30) days.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash – Bank Analysis (Continued)

- F2. As a part of reviewing the December 2015 bank reconciliation prepared by the Tax Collector, it was noted that the \$214 cash portion of one (1) December 2015 deposit was not taken to the bank until eight (8) business days later. Furthermore, there were several days when the detailed deposit listing and the deposit total included checks that were not given to the bank for deposit.
- R2. The Tax Collector should be reminded of the importance of ensuring that the entire amount of all deposits be made within one (1) business day from the receipt of the corresponding collections. Additionally, if a check is not accepted, it should be removed from the deposit slip total prior to making the deposit.
- F3. The analysis of the service charges assessed to the bank account utilized for County real estate tax activities disclosed that there was \$41 of unreimbursed charges that had accumulated during the prior audit period that were not reversed by the bank or reimbursed by the Tax Collector as of the end of the audit period.
- R3. To rectify this condition, the Tax Collector should contact the bank to request the reversal of the unreimbursed service charges accrued during the prior audit periods and/or reimburse the bank account using the Tax Collector's personal funds.

Auditee's Response:

- F1. The tax collector will endeavor to locate and issue refunds wherever possible. If a refund is not possible the funds shall be escheated to the County. In addition, the immaterial overages less the tax collector fees shall also be escheated to the County and the tax collector fees will be cashed out.
- F2. The tax collector will make a more concerted effort to deliver the deposits to the bank within twenty four hours of the posting, and ensure that the check listing is accurate.
- F3. The tax collector will reimburse the account for the \$41.00 bank fees from the prior audit period.

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. The Tax Collector did not always retain the postmarked envelopes for tax payments postmarked by the end of the discount collection period (April) but received in May. Consequently, we were unable to verify seven (7) tax payments processed at the discount amount.
- R1. 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.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Receipts Analysis (Continued)

Auditee's Response:

- F1. The tax collector has always tried to retain postmarked envelopes for payments posted after the due date. Will try to be more thorough in this process and will also impress upon the deputy the importance of this procedure.

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 real estate tax collections reported on the MRTD sheets did not equal the amount actually remitted for the month in 29% of the twenty-one (21) MRTD sheets filed. Additionally, the final real estate tax disbursement for a given month did not occur until after the tenth day of the following month in 76% of the twenty-one (21) MRTD sheets examined.
- The supporting payment documentation was not properly completed in 14% of the twenty-one (21) MRTD sheets analyzed.

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

- All County real estate tax collections should be remitted in accordance 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..."
- All MRTD sheets should be properly and accurately completed.

- F2. A review of a sample of debit interim adjustments, which are issued by the Board of Assessment, disclosed the following:

- The Tax Collector did not provide a copy of the interim tax notice in 13% of the sixteen (16) debit interim adjustments selected for review. Consequently, the auditors were unable to determine the timeliness of the notice or the accuracy of the collection periods and amounts stated on the notice.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Compliance (Continued)

- When the interim tax notices were provided, the Tax Collector did not issue the notice in a timely manner in 58% of the twelve (12) applicable notices examined.

R2. The Tax Collector should be reminded of the importance of maintaining copies of all issued interim tax notices. Furthermore, the notices should be issued in accordance with the guidelines established in the *Tax Collector's Manual*.

Auditee's Response:

- F1. The tax collector will try to be sure that all funds are remitted in a more timely fashion and final disbursements made on or before the 10th day of the following month.
- F2. The tax collector had continued the old practice of issuing the interim tax bills on the first of the following month. During 2018 the interim tax bills started being issued within 10 days of the notice.

SUMMARY OF THE EXIT CONFERENCE

An exit conference was held on August 16, 2018. Those in attendance were:

Richland Township Tax Office

Walter Johnson, Tax Collector

Controller's Office

Neale Dougherty, Controller
Kimberly S. Doran, CPA, Deputy Controller
Denise Rimby, CPA, Audit Supervisor
Dana Conboy, CPA, Grant Coordinator
Kevin McCreary, Investigator

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