



CONTROLLER'S OFFICE

COUNTY OF BUCKS

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

December 29, 2015

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

Re: Audit of Richard Hart, Tullytown Borough 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 Tullytown Borough Tax Collector, Richard Hart, for the tax years ended January 15, 2015, 2014 and 2013. The January 15th 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) 348-6556 between 7:30 a.m. and 4:00 p.m.

Sincerely,

Kimberly S. Doran, CPA
Acting Bucks County Controller

15-35
KSD/mkw

cc: Richard Hart, Tullytown Borough Tax Collector
Brian Hesselthaler, CPA, Chief Operating Officer, Commissioners' Office, County of Bucks
David P. Boscola, Director, Finance Department, County of Bucks

COUNTY OF BUCKS
RICHARD HART
TULLYTOWN BOROUGH TAX COLLECTOR
For the Period
January 16, 2012 through January 15, 2015

County of Bucks
Richard Hart
Tullytown Borough Tax Collector
For the Period January 16, 2012 through January 15, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Settlement of Duplicates – cash basis, applicable to Bucks County (County) real estate taxes of the Tullytown Borough Tax Collector (Tax Collector), for the tax years ended January 15, 2015, 2014 and 2013, 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 is 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 Tax Collector, for the tax years ended January 15, 2015, 2014 and 2013, in accordance with the cash basis of accounting as described in Note 1.D.

Emphasis of Matter and Basis of Accounting

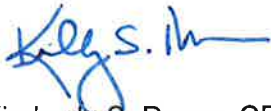
We draw attention to Note 1.C. to the Settlement of Duplicates, which describes that the settlement is prepared to present a reconciliation between the amount of County real estate taxes the Tax Collector is responsible to collect and the reported collection, liened and non-lienable amounts, and is not 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, Acting Bucks County Controller
Doylestown, Pennsylvania

December 18, 2015
15-35

County of Bucks
Tullytown 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:

| | |
|--|-------------------|
| 2014 Tax Year - Original Duplicate | \$ 563,773 |
| 2014 Tax Year - Interim Billings | 697 |
| 2013 Tax Year - Interim Billings | <u>63</u> |
| Total Amount the Tax Collector is Responsible to Collect | <u>\$ 564,533</u> |

Amount Reported by Tax Collector

| | |
|--|-------------------|
| Amount Collected from Taxpayers as Reported to the County | \$ 550,357 |
| Add: Discounts taken by Taxpayers | 10,035 |
| Less: Penalties paid by Taxpayers | <u>(3,011)</u> |
| Amount Collected at Face Value of Tax Bills | \$ 557,381 |
| Unpaid Taxes to be Liened as Reported to the County: | |
| 2014 Tax Year - Original Duplicate | <u>7,152</u> |
| Total Unpaid Taxes before Lien Removals | 7,152 |
| Less: Lien Removals from January 16, 2015 to December 18, 2015 | <u>(-)</u> |
| Net Unpaid Taxes to be Liened as Reported to the County | 7,152 |
| Less: Refunds at Face Value made by Finance Department from January 16, 2014 to December 18, 2015 | (-) |
| Total Non-Lienables Carried Forward | <u>-</u> |
| Total Amount Reported by Tax Collector | <u>\$ 564,533</u> |
| Variance - Net Amount Under/(Over) Reported to the County | <u>\$ -</u> |

See Notes to the Settlement of Duplicates.

County of Bucks
Tullytown Borough Tax Collector

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

Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:

| | |
|------------------------------------|------------|
| 2013 Tax Year - Original Duplicate | \$ 565,401 |
| 2013 Tax Year - Interim Billings | <u>112</u> |

| | |
|--|-------------------|
| Total Amount the Tax Collector is Responsible to Collect | <u>\$ 565,513</u> |
|--|-------------------|

Amount Reported by Tax Collector

| | |
|--|-------------------|
| Amount Collected from Taxpayers as Reported to the County | \$ 547,769 |
| Add: Discounts taken by Taxpayers | 10,282 |
| Less: Penalties paid by Taxpayers | <u>(1,304)</u> |
| Amount Collected at Face Value of Tax Bills | \$ 556,747 |
| Unpaid Taxes to be Liened as Reported to the County: | |
| 2013 Tax Year - Original Duplicate/Interim Billings | <u>8,718</u> |
| Total Unpaid Taxes before Lien Removals | 8,718 |
| Less: Lien Removals from January 16, 2014 to December 18, 2015 | <u>(-)</u> |
| Net Unpaid Taxes to be Liened as Reported to the County | 8,718 |
| Less: Refunds at Face Value made by Finance Department from January 16, 2013 to December 18, 2015 | (-) |
| Total Non-Lienables Carried Forward | <u>-</u> |
| Total Amount Reported by Tax Collector | <u>\$ 565,465</u> |
| Variance - Net Amount Under/(Over) Reported to the County | <u>\$ 48</u> |

See Notes to the Settlement of Duplicates.

County of Bucks
Tullytown Borough Tax Collector

Settlement of Duplicate
For the Tax Year Ended January 15, 2013
Tax Year 2012
(Cash Basis)

Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:

| | |
|--|-------------------|
| 2012 Tax Year - Original Duplicate | \$ 541,419 |
| 2012 Tax Year - Interim Billings | <u>23,879</u> |
| Total Amount the Tax Collector is Responsible to Collect | <u>\$ 565,298</u> |

Amount Reported by Tax Collector

| | |
|--|-------------------|
| Amount Collected from Taxpayers as Reported to the County | \$ 550,584 |
| Add: Discounts taken by Taxpayers | 9,952 |
| Less: Penalties paid by Taxpayers | <u>(1,891)</u> |
| Amount Collected at Face Value of Tax Bills | \$ 558,645 |
| Unpaid Taxes to be Liened as Reported to the County: | |
| 2012 Tax Year - Original Duplicate | <u>6,653</u> |
| Total Unpaid Taxes before Lien Removals | 6,653 |
| Less: Lien Removals from January 16, 2013 to December 18, 2015 | <u>(-)</u> |
| Net Unpaid Taxes to be Liened as Reported to the County | 6,653 |
| Less: Refunds at Face Value made by Finance Department from January 16, 2012 to December 18, 2015 | (-) |
| Total Non-Lienables Carried Forward | <u>-</u> |
| Total Amount Reported by Tax Collector | <u>\$ 565,298</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-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 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 that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either collections, liens, refunds or non-lienable carried forward amounts. The cash basis differs from U.S.

Continued...

NOTES TO THE SETTLEMENT OF DUPLICATES

1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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.

H. Date of Management's Review

The Tax Collector has evaluated subsequent events through December 18, 2015, 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. Remittances to the County

The \$550,584 reported on the accompanying Settlement of Duplicate for the tax year ended January 15, 2013 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 \$540,522 as of the January 15, 2013 settlement date, which resulted in a variance of \$10,062. On January 17, 2013 and February 15, 2013, the Tax Collector forwarded an additional \$10,052 and \$10, respectively, to the County that was applicable to the tax year 2012 Original Duplicate/Interim Billings collections. After consideration of these additional disbursements, the Tax Collector's remittances equaled the amount reported.

Continued...

NOTES TO THE SETTLEMENT OF DUPLICATES

3. Net Amount Under Reported

As indicated on the accompanying Settlement of Duplicate for the tax year ended January 15, 2014, the Tax Collector under reported \$48 to the County. The specific cause of this variance is discussed further in the Report of Management.



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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, 2015, 2014 and 2013, 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.

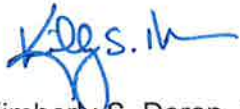
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination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

The Tax Collector's written responses to the findings identified in our audit and presented in the Report to Management were not subjected to the auditing procedures applied in the audit of the Settlement of Duplicates and, accordingly, we express no opinion on them.

Continued...

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

December 18, 2015
15-35

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, 2015, 2014 and 2013. 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 30, 2015. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

Qualitative Aspects of Accounting Practices

The Tax Collector is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Tax Collector are described in Note 1 to the Settlement of 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 18, 2015.

Continued...

Tullytown Borough 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 and one (1) Deputy 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 December 18, 2015. 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 December 18, 2015, 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. Although the Tax Collector deputized an individual, it is our understanding that the Deputy was used for emergency purposes and as such, performed no office functions during the audit period. Based on the preceding information, the Tax Collector had sole responsibility for all tax collection functions and transactions.
- 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. Due to the small population and lack of borough spaces for a tax office, a second person working would be unfeasible.

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. Included within the review of the bank reconciliations were procedures to verify the completeness of the checkbook and the accuracy of the running balance. This review disclosed that although the Tax Collector maintained a checkbook during the audit period, the following issues were noted:
- Transaction dates and payees were not always entered into the checkbook.
 - During the audit period, inaccurate running checkbook balances were maintained due to undetected math errors, unrecorded returned deposit items and uncorrected discrepancies between posted deposit/check amounts and bank statement clearing amounts.
- R1. The Tax Collector should be reminded of the importance of maintaining an accurate, up-to-date checkbook showing all deposit, disbursement and adjustment dates, descriptions and amounts. Furthermore, the maintenance of an accurate checkbook and running balance would provide the Tax Collector with the basis for preparing accurate monthly bank reconciliations.
- F2. A review of the December 2014, 2013 and 2012 bank reconciliations prepared by the Tax Collector disclosed that the reconciliations did not always use the correct cut off dates.
- R2. On a monthly basis, the Tax Collector should prepare written bank reconciliations within fifteen (15) days from the receipt of the bank statement. All bank reconciliations should properly list the applicable deposits-in-transit, outstanding checks and other identified reconciling items. Bank reconciliations should not be considered complete until all variances have been identified.

Auditee's Response:

- F1. Every check written has a stub with payee, date and amount. Running balances were kept on a separate ledger.
- F2. Outstanding checks and deposits are typically listed in the ledger with none in transit and only items relating to the active month's reconciliation will be listed.

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 Country real estate tax payments revealed that 11% of the sixty-six (66) applicable payments examined were not deposited by the next business day.
- R1. All tax payments should be processed, posted, reconciled and deposited intact on the day of payment or by the next business day.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash Receipts Analysis (Continued)

- F2. The Tax Collector did not retain the postmarked envelopes for tax payments postmarked by the end of the discount and/or face period but received in May and/or July, respectively. Consequently, we were unable to verify three (3) tax payments processed by the Tax Collector.
- R2. The Tax Collector should retain the delivery envelopes for all tax payments received in a current collection period but postmarked on or before the end of the previous collection period. The envelopes should be attached to the applicable paid tax bills. Implementation of this procedure will provide the necessary documentation to substantiate discount payments reported in the face period and face payments reported in the penalty period.

Auditee's Response:

- F1. Mail to the borough arrives very late in the day along with irregular borough hours does not allow for deposits to be compiled and made ideally. Every effort is made to make deposits as soon as possible.
- F2. Never having had to retain envelopes to verify receipt, they were not kept. Envelopes will be retained in the future to verify receipt dates along with the TC initiated procedure of asking residents to use the time-stamp machine nearby.

Compliance

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

- F1. A review of a sample of interim adjustments disclosed that the interim tax notices were not issued in a timely manner in 56% of the nine (9) applicable tax notices examined.

Furthermore, one (1) of the untimely issuances pertained to a \$23,221 debit interim adjustment. For taxes due to the County, a detailed review of the applicable interim tax notice revealed the following additional conditions:

- The interim tax notice showed incorrect payment due dates for all three (3) collection periods. The payment due date for the face period incorrectly ended on a Sunday and afforded the taxpayer an additional two (2) days to make payment without penalty.
- According to the Tax Collector's records, the payment was made on the last day of the face period (Sunday) but was not deposited until four (4) business days later. Given the absence of a postmarked envelope and the inappropriate extended face collection period, the Tax Collector should be personally responsible for an additional \$2,322, which represents the 10% penalty not collected from the taxpayer.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Compliance (Continued)

R1. The Tax Collector should be reminded of the importance of issuing interim and adjusted tax notices in accordance with the guidelines established in the Interim Real Estate Taxes section of the *Tax Collector's Manual*.

Furthermore, the Tax Collector should perform the following:

- Implement procedures to ensure that payment due dates are calculated in accordance with the *Tax Collector's Manual*.
- Contact the Finance Department regarding the resolution for the unsupported acceptance of the \$23,221 face payment deposited during the penalty period.

F2. Based on the requirements outlined in the *Local Tax Collection Law* and the guidelines issued by the Finance Department, an analysis of disbursements/wire transfers made by the Tax Collector to the County disclosed that County real estate tax revenue was not forwarded timely to the County.

R2. In accordance with Section 25 of the *Local Tax Collection Law*, "The collector shall pay over on or before the tenth day of each month...all monies collected as taxes during the previous month..."

Auditee's Response:

- F1. Will be aware of day of the week as deadlines. Contacted the Finance Department regarding acceptance of an interim payment without more formal verification of the date paid.
- F2. Will comply with submitting payments quicker.

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. Although we determined that the combined Settlement of Duplicate for the tax year ended January 15, 2014 was fairly presented, in all material respects, we noted the following variance:

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

| Item to be Settled | Under/(Over) Reported to the County |
|---|--|
| 2013 Tax Year – Original Duplicate/Interim Billings | \$ <u>48</u> |
| Variance – Net Amount Under Reported to the County | \$ <u>48</u> |

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

| | | |
|--|-------------|-----|
| Variance – Net Amount Under Reported to the County | \$ 48 | |
| Less: One (1) Parcel that was Not Accounted for by the Tax Collector | <u>(48)</u> | (a) |
| Unidentified Net Variance | <u>\$ -</u> | |

(a) The Tax Collector did not collect or lien one (1) parcel applicable to the 2013 Tax Year – Original Duplicate/Interim Billings. The effect of this condition on the accompanying Settlement of Duplicate resulted in a \$48 understatement of the "Total Amount Reported by Tax Collector" as of January 15, 2014.

R1. It is the Tax Collector's responsibility to prepare and maintain accurate accounting records to support all transactions involving the collection, disbursement and liening of County real estate taxes and to settle all duplicates to zero. As previously indicated, one (1) parcel's payment status remains unaccounted for in the tax year ended January 15, 2014. The Tax Collector should take the necessary steps to resolve this issue with the Finance Department.

Auditee's Response:

F1. I thought the matter was resolved, but when finding it was not, I paid, to the Finance Department the amount of \$48.26 from personal funds on check #457.

EXIT CONFERENCE ATTENDANCE

An exit conference was held on December 14, 2015. Those in attendance were:

Tullytown Borough Tax Office

Richard Hart, Tax Collector

Controller's Office

Denise Rimby, CPA, Audit Supervisor

Barbara DiLemmo, Auditor

Eugene Lyall, Auditor

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