



# CONTROLLER'S OFFICE

COUNTY OF BUCKS

Administration Building

55 East Court Street, Doylestown, PA 18901-4318

(215) 348-6435 • Fax (215) 348-6107

July 20, 2017

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

Re: Audit of Nicholas Ettorre, Upper Makefield Township Tax Collector

Dear Chairman Martin:

Enclosed is the report for the audit of the Settlement of Duplicate for the Bucks County real estate taxes of the Upper Makefield Township Tax Collector, Nicholas Ettorre, for the tax year ended January 15, 2016. The January 15<sup>th</sup> date reflects the settlement date for the tax year included in the audit period. The section of the report titled Report to Management includes our findings and recommendations.

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

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

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

Sincerely,

Michael J. Gallagher  
Bucks County Controller

16-40  
MJG/mkw

cc: Nicholas Ettorre, Upper Makefield 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  
NICHOLAS ETTORRE  
UPPER MAKEFIELD TOWNSHIP TAX COLLECTOR  
For the Period  
January 16, 2015 through January 15, 2016

County of Bucks  
Nicholas Ettorre  
Upper Makefield Township Tax Collector  
For the Period January 16, 2015 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 Duplicate – cash basis, applicable to Bucks County (County) real estate taxes of the Upper Makefield Township Tax Collector (Tax Collector), for the tax year ended January 15, 2016, and the related notes to the Settlement of Duplicate.

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

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

### **Auditors' Responsibility**

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

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

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

*Continued...*

## **Opinion**

In our opinion, the Settlement of Duplicate referred to in the first paragraph presents fairly, in all material respects, the total amount the Tax Collector is responsible to collect and the total amount reported by the Tax Collector, for the tax year ended January 15, 2016, in accordance with the cash basis of accounting as described in Note 1.D.

## **Emphasis of Matter and Basis of Accounting**

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

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

Our opinion is not modified with respect to either matter.

## **Restriction on Use**

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



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

July 7, 2017  
16-40

County of Bucks  
Upper Makefield Township Tax Collector

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

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Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:

Total Carried Forward from Prior Year	\$	328
2015 Tax Year - Original Duplicate		5,352,923
2015 Tax Year - Interim Billings		33,466
2014 Tax Year - Interim Billings		<u>1,444</u>

Total Amount the Tax Collector is Responsible to Collect \$ 5,388,161

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$	5,198,076
Add: Discounts taken by Taxpayers		91,767
Less: Penalties paid by Taxpayers		<u>(21,061)</u>
Amount Collected at Face Value of Tax Bills	\$	5,268,782
Unpaid Taxes to be Liened as Reported to the County:		
2015 Tax Year - Original Duplicate/Interim Billings		112,526
2014 Tax Year - Interim Billings		<u>24</u>
Total Unpaid Taxes before Lien Removals		112,550
Less: Lien Removals from January 16, 2016 to July 7, 2017		<u>( - )</u>
Net Unpaid Taxes to be Liened as Reported to the County		112,550
Less: Refunds at Face Value made by Finance Department from January 16, 2015 to July 7, 2017		( - )
Total Non-Lienables Carried Forward:		
2015 Tax Year - Interim Billings		<u>6,829</u>
Total Amount Reported by Tax Collector	\$	<u>5,388,161</u>
Variance - Net Amount Under/(Over) Reported to the County	\$	<u>-</u>

See Notes to the Settlement of Duplicate.

NOTES TO THE SETTLEMENT OF DUPLICATE

**1. Summary of Significant Accounting Policies**

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

A. Nature of Operations

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

A. Reporting Entity

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

B. Basis of Presentation

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

C. Basis of Accounting

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

Continued...

NOTES TO THE SETTLEMENT OF DUPLICATE

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

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

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

**E. Amount to be Collected**

Upon successful settlement of a prior year duplicate, on February 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 Duplicate represent the total original duplicate plus and/or minus all applicable interim adjustments issued for the period indicated.

**2. Subsequent Events**

Events subsequent to January 15, 2016 have been evaluated through July 7, 2017, the date the special-purpose statement was available to be issued, to determine whether they should be disclosed to keep the special-purpose statement from being misleading. The \$5,198,076 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 Monthly Report to Taxing Districts (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 \$5,198,086 as of the January 15, 2016 settlement date, which resulted in a variance of \$10. In February 2016, the County refunded \$10 to the Tax Collector that was applicable to the Tax Year 2014 Interim Billings collections. After consideration of this refund, the Tax Collector's remittances equaled the amount reported.





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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 Duplicate, for the tax year ended January 15, 2016, in accordance with U.S. generally accepted auditing standards, we considered the Tax Collector's internal control over the financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Settlement of Duplicate, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control.

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.

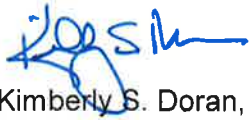
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination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

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 section and F1. and F2. of the Cash-Bank Analysis section of the Report to Management to be significant deficiencies.

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

*Continued...*

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

July 7, 2017  
16-40

REPORT TO MANAGEMENT

COVER LETTER

We have audited the Settlement of Duplicate, applicable to County real estate taxes of the Tax Collector, for the tax year ended January 15, 2016. 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 September 27, 2016. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

*Qualitative Aspects of Accounting Practices*

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

The Settlement of Duplicate disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with the Tax Collector*

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

*Representations from the Tax Collector*

We have requested certain representations from the Tax Collector that are included in the management representation letter dated July 7, 2017.

*Continued...*

Upper Makefield Township Tax Collector

REPORT TO MANAGEMENT

COVER LETTER

Purpose

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

Report Distribution

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Legend:

F – Finding

R – Recommendation

The Tax Collector's Office consisted of one (1) Tax Collector, one (1) Deputy Tax Collector 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 July 7, 2017. The Internal Control and Cash-Bank Analysis sections of the Report to Management detail the significant deficiencies noted in the Tax Collector's control environment and our recommendations for improvement. The Report to Management does not affect our "Independent Auditors' Report" dated July 7, 2017, on the Tax Collector's Settlement of Duplicate.

Internal Control

A review of the internal control environment disclosed the following:

- F1. Although the Tax Collector deputized an individual, it is our understanding that this procedure was solely for emergency purposes and that the deputy performed no functions related to the daily activities of the Tax Collector's Office during the audit period. Therefore, based on a review of the financial transactions recorded and the procedures performed by the Tax Collector and the remaining staff, it was determined that there was a general lack of segregation of duties among the authorization, execution and recording of the County real estate tax transactions and the related assets.
- R1. Although the small size of the office staff limits the extent of separation of duties, certain steps should be taken to separate incompatible duties. The basic premise to any internal control structure is that no one (1) individual should have access to both physical assets and the related accounting records or to all phases of a transaction.

Auditee's Response:

- F1. Although it would be nice to have different people doing different functions of the collection process the small size of office and need for additional personnel is not warranted on a daily basis. During periods of heavy volume there are extra people involved in opening, stamping and taking the checks in addition to the collector processing the payments.

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. The analysis disclosed that the Tax Collector did not prepare written monthly bank reconciliations. Furthermore, the Tax Collector was unable to locate the 2015 check register. Consequently, the auditors were unable to draw any conclusions about the Tax Collector's ability to reconcile the bank account balance to the tax collection records for the audit period.
- R1. On a monthly basis, the Tax Collector should prepare written bank reconciliations listing deposits-in-transit, outstanding checks, adjustments and reconciling items. In order to provide up-to-date bank balance information, all deposits, disbursements and adjustments should be posted to the checkbook daily. Furthermore, the Tax Collector should retain all financial records, including check registers, in accordance to the *Municipal Records Manual*.
- F2. In order to determine whether the Tax Collector maintained adequate accounting records to support the source of the funds that made up the \$16,301 net cash balance as of January 15, 2016, we reviewed documents and inquired as to the composition of this balance. This analysis disclosed the following conditions:
- Tax Collector could not determine the source of \$140 of the net cash balance.
  - Four (4) outstanding checks totaling \$249, issued as far back as 2007, were included in this analysis even though the checks had exceeded the *Pennsylvania Unclaimed Property Law's* three (3) year dormancy period.
  - There were \$85 of unreimbursed service charges that had accumulated during the prior audit period that were not reversed by the bank and/or reimbursed by the Tax Collector.
  - There were \$116 of unresolved, over remittance errors from the prior audit period.
- R2. In order to address each of these issues, the Tax Collector should perform the following:
- Immediately take the necessary steps to determine the composition of the net cash balance.
  - Take the appropriate action to comply with the *Pennsylvania Unclaimed Property Law*. Additionally, in order to remain in compliance, a monthly procedure should be established to remove any checks that are outstanding for more than six (6) months. After the Tax Collector has exhausted all efforts to contact the original payee(s), a check for the appropriate amount(s) should be forwarded to the appropriate taxing district(s) to be placed in an unclaimed funds account. A listing of the original payee(s) and corresponding amount(s) should be forwarded to the applicable taxing district(s) and a copy retained by the Tax Collector. Should someone make a claim against the unclaimed funds, the Tax Collector should request that each taxing district return the funds to the proper party.

*Continued...*

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash-Bank Analysis (Continued)

- Contact the bank to request the reversal of the unreimbursed service charges accrued during the prior audit period and/or reimburse the tax account using the Tax Collector's personal funds.
- Contact the Finance Department to obtain guidance as to the necessary action required to resolve the outstanding over remittance discrepancies from prior tax years.

Auditee's Response:

F1. and F2.

Subsequent to the auditors leaving the 2015 Check register was located and is in the Tax Office. In an effort to eliminate these Bank reconciliation problems I will be having an assistant do monthly recons to address any variances on a monthly basis so they do not carry over from month to month. This should allow for tighter control on any open balances on the bank account. With monthly bank analysis any misc. charges or credits will be handled quickly and not carry from month to month.

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 two (2) refund checks were not issued timely. In addition, one (1) refund pertaining to an overpayment was not refunded to the affected taxpayer as of July 7, 2017.
- 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.

Auditee's Response:

- F1. Every effort is made to refund promptly overpayments or duplicate payments. In some cases there is a hold until there is resolution as to where and whom the money should be sent to.

Compliance

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

- F1. A review of the debit and credit interim adjustments, which are issued by the Board of Assessment, disclosed that the Tax Collector did not return the credit interim adjustment sheet to the Finance Department in a timely manner in 33% of the three (3) applicable credit interim adjustments examined.
- R1. The Tax Collector should be reminded of the importance of completing and returning all credit interim adjustment sheets to the Finance Department within (10) business days.

*Continued...*

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Compliance (Continued)

- 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 an interim payment processed and deposited in January 2015 was not remitted to the County until October 6, 2015.
- 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. In an effort to eliminate problems with credits I will verify that the owners have paid the bills on a timelier basis and make sure all credit adjustments are addressed on summary sheets that are returned to the Finance office.
- F2. I will double check that the MRTD sheets list proper paid items and the appropriate deposits for the period.



EXIT CONFERENCE ATTENDANCE

An exit conference was not held. The Tax Collector chose to respond by facsimile, which was received on July 7, 2017.