



CONTROLLER'S OFFICE

COUNTY OF BUCKS

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

October 12, 2017

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

Re: Audit of James Fluehr, Sr., Upper Southampton Township Tax Collector

Dear Chairman Martin:

Enclosed is the report for the audit of the Settlement of Duplicates for the Bucks County real estate taxes of the Upper Southampton Township Tax Collector, James Fluehr, Sr., for the tax years ended January 15, 2016 and 2015. The January 15th dates reflect the settlement dates for the two tax years included in the audit period. The section of the report titled Report to Management includes our findings and recommendations.

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

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

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

Sincerely,

Michael J. Gallagher
Bucks County Controller

16-31
MJG/mkw

cc: James Fluehr, Sr., Upper Southampton 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
JAMES FLUEHR, SR.
UPPER SOUTHAMPTON TOWNSHIP TAX COLLECTOR
For the Period
January 16, 2014 through January 15, 2016

County of Bucks
James Fluehr, Sr.
Upper Southampton Township Tax Collector
For the Period January 16, 2014 through January 15, 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Settlement of Duplicates – cash basis, applicable to Bucks County (County) real estate taxes of the Upper Southampton 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. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Settlement of Duplicates in the circumstances. The Tax Collector is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Settlement of Duplicates that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Continued...

Opinion

In our opinion, the Settlement of Duplicates referred to in the first paragraph present fairly, in all material respects, the total amount the Tax Collector is responsible to collect and the total amount reported by the Tax Collector, for the tax years ended January 15, 2016 and 2015, in accordance with the cash basis of accounting as described in Note 1.D.

Emphasis of Matter and Basis of Accounting

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

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

Our opinion is not modified with respect to either matter.

Restriction on Use

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



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

September 28, 2017
16-31

County of Bucks
Upper Southampton 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:

Carried Forward from the Prior Year:

2014 Tax Year - Interim Billings	\$	1,714
2013 Tax Year - Interim Billings		196

Total Carried Forward from Prior Year		\$ 1,910
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2015 Tax Year - Original Duplicate		4,678,522
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2015 Tax Year - Interim Billings		9,913
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2014 Tax Year - Interim Billings		2,667
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Total Amount the Tax Collector is Responsible to Collect		\$ 4,693,012
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Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$	4,534,834
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Add: Discounts taken by Taxpayers		81,168
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Less: Penalties paid by Taxpayers		(7,346)
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Amount Collected at Face Value of Tax Bills		\$ 4,608,656
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Unpaid Taxes to be Liened as Reported to the County:

2015 Tax Year - Original Duplicate/Interim Billings		77,862
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2014 Tax Year - Interim Billings		4
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Total Unpaid Taxes before Lien Removals		77,866
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Less: Lien Removals from January 16, 2016 to September 28, 2017		(-)
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Net Unpaid Taxes to be Liened as Reported to the County		77,866
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Less: Refunds at Face Value made by Finance Department from January 16, 2015 to September 28, 2017		(-)
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Non-Lienables Carried Forward:

2015 Tax Year - Interim Billings		3,863
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2014 Tax Year - Interim Billings		1,675
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Total Non-Lienables Carried Forward		5,538
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Total Amount Reported by Tax Collector		\$ 4,692,060
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Variance - Net Amount Under/(Over) Reported to the County		\$ 952
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See Notes to the Settlement of Duplicates.

County of Bucks
Upper Southampton 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	\$ 448
2014 Tax Year - Original Duplicate	4,678,043
2014 Tax Year - Interim Billings	7,408
2013 Tax Year - Interim Billings	<u>196</u>

Total Amount the Tax Collector is Responsible to Collect \$ 4,686,095

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 4,536,585	
Add: Discounts taken by Taxpayers	81,086	
Less: Penalties paid by Taxpayers	<u>(8,077)</u>	
Amount Collected at Face Value of Tax Bills		\$ 4,609,594
Unpaid Taxes to be Liened as Reported to the County:		
2014 Tax Year - Original Duplicate/Interim Billings	74,359	
2013 Tax Year - Interim Billings	<u>232</u>	
Total Unpaid Taxes before Lien Removals	74,591	
Less: Lien Removals from January 16, 2015 to September 28, 2017	<u>(-)</u>	
Net Unpaid Taxes to be Liened as Reported to the County		74,591
Less: Refunds at Face Value made by Finance Department from January 16, 2014 to September 28, 2017		(-)
Non-Lienables Carried Forward:		
2014 Tax Year - Interim Billings	1,714	
2013 Tax Year - Interim Billings	<u>196</u>	
Total Non-Lienables Carried Forward		<u>1,910</u>
Total Amount Reported by Tax Collector		<u>\$ 4,686,095</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, liened and non-lienable amounts reported by the Tax Collector.

Section 25 (Collection and Payment Over of Taxes) of the *Local Tax Collection Law* requires the Tax Collector to report the monthly real estate tax activities to the County on a standardized form commonly known as the MRTD sheet. Except for the "Refunds at Face Value made by Finance Department" amount, the amounts presented under the "Amount Reported by Tax Collector" section of the Settlement of Duplicate is an accumulation of information reported on the MRTD sheets for the given tax year.

D. Basis of Accounting

The Tax Collector prepares the required MRTD sheets in accordance with the financial reporting provisions prescribed by the Pennsylvania Department of Community and Economic Development, which is essentially the cash basis of accounting. Since the accompanying Settlement of Duplicates are primarily summaries of amounts reported on the MRTD sheets for the given tax years, the Settlement of Duplicates are prepared and presented on the same basis. Under the cash basis, the only asset recognized is

Continued...

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.

H. Date of Management's Review

The Tax Collector has evaluated subsequent events through September 28, 2017, the date on which the Settlement of Duplicates were available to be issued. No events have taken place that affect the Settlement of Duplicates or require disclosure.

2. Net Amount Under Reported

As indicated on the accompanying Settlement of Duplicate for the tax year ended January 15, 2016, the Tax Collector under reported \$952 to the County. The specific cause of this variance is discussed further in the Report to Management.



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REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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

In planning and performing our audit of the Settlement of Duplicates, for the tax years ended January 15, 2016 and 2015, in accordance with U.S. generally accepted auditing standards, we considered the Tax Collector's internal control over the financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Settlement of Duplicates, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management'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.

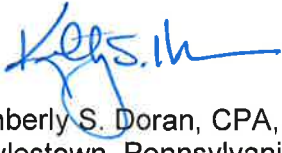
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 section, F1.-F3. of the Cash-Bank Analysis section and F1. of the Settlement of Duplicate 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 Duplicates and, accordingly, we express no opinion on it.

Continued...

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

September 28, 2017
16-31

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 14, 2016. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

Qualitative Aspects of Accounting Practices

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with the Tax Collector

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

Representations from the Tax Collector

We have requested certain representations from the Tax Collector that are included in the management representation letter dated September 28, 2017.

Continued...

Upper Southampton 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 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 September 28, 2017. The Internal Control, Cash-Bank Analysis and Settlement of Duplicate sections of the Report to Management detail the significant deficiencies noted in the Tax Collector's control environment and our recommendations for improvement. The Report to Management does not affect our "Independent Auditors' Report" dated September 28, 2017, on the Tax Collector's Settlement of Duplicates.

Internal Control

A review of the internal control environment disclosed the following:

- F1. A review of the financial transactions recorded and the procedures performed by the Tax Collector and the Deputy Tax Collector revealed that there was a general lack of segregation of duties among the authorization, execution and recording of the County real estate tax transactions and the related assets.
- R1. Although 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. I will strive to separate the duties as best possible based on limited staff.

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 activities, prepared monthly bank reconciliations and utilized the account for only tax collection activities.

- F1. The analysis disclosed that the Tax Collector did not always prepare written monthly bank reconciliations or maintain an accurate checkbook balance. 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. Furthermore, when prior period errors were identified and corrected in the checkbook, the Tax Collector improperly backdated the entries in the accounting software, which retroactively changed the checkbook balances for the prior audit years.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash-Bank Analysis (Continued)

- 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 on a daily basis. Furthermore, the maintenance of an up-to-date checkbook balance would provide the Tax Collector with a basis for determining deposits-in-transit, outstanding checks and other reconciling items. If an error to the checkbook is identified after a month has been reconciled, the Tax Collector should post a correcting entry using a current date with the appropriate description. Implementation of this recommendation will ensure that prior period reconciled checkbook balances remain unchanged.
- F2. Since the Tax Collector did not prepare the December 31, 2015 bank reconciliation and did not properly prepare the December 31, 2014 bank reconciliation, we attempted to prepare these bank reconciliations by listing all known adjustments to the checkbook for incorrect and missed postings. These reconciliations disclosed an \$11,733 and a \$(12,829) variance, respectively, between the net cash balances per the bank and the Tax Collector's checkbook.
- R2. If this condition still exists, the Tax Collector should immediately take the necessary steps to identify the variances.
- F3. In order to determine whether the Tax Collector maintained adequate accounting records to support the source of funds that made up the \$10,902 and \$3,157 adjusted bank statement balances as of January 15, 2016 and 2015, respectively, we reviewed documents and inquired as to the composition of these balances. This analysis disclosed that the Tax Collector could not determine the source of \$7,739 and \$1,900 of the adjusted bank statement balances, respectively.
- R3. If this condition still exists, the Tax Collector should immediately take the necessary steps to determine the composition of the bank statement balance.
- F4. A review of a sample of returned deposit items disclosed that the Tax Collector did not properly account for the repayment of three (3) tax payments that were initially paid by check in the prior collection period but were returned by the bank as having non-sufficient funds. Since the repayment was received in the face period, the appropriate tax payment amount should have included an additional \$42, which represented the 2% discount. In addition, the tax records were not adjusted to reflect the actual payment date, which was the date the replacement payment was received.
- R4. The Tax Collector should be reminded of the importance of insuring that the amount of the real estate tax payment is appropriate for the period in which it was collected. In accordance with Section X of the *Tax Collector's Manual*, "Acceptance of a check from a taxpayer is at most only a conditional payment of taxes; the taxes are not considered fully paid until the check has cleared." Furthermore, the Tax Collector should contact the Finance Department for clarification on the policy for handling checks returned for insufficient funds.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash-Bank Analysis (Continued)

Additionally, the Tax Collector should be reminded of the importance of updating the payment date information in the tax collection records to reflect both the non-sufficient funds notification and the replacement payment dates.

Auditee's Response:

- F1. We currently use accounting software as our checkbook. Going forward we have implemented the process recommended by the auditors to use current dates when making corrections.
- F2. We are addressing the issue in question as per the auditors.
- F3. We are addressing the issue in question as per the auditors.
- F4. In some cases we have been notified by the tax payer before the bank even notified us of a NSF check. We understand a check from a tax payer is only a conditional payment of taxes and is not considered paid until the check has cleared. It should be noted the NSF checks that have been replaced are deposited on the date that they are received, and the date is reflected in the checkbook on that date of deposit.

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 Duplicates as of the applicable lien dates were fairly presented, in all material respects, we noted the following variances within the individual settlements for the tax year ended January 15, 2016:

Item to be Settled	Under/(Over) Reported to the County
2013 Tax Year – Interim Billings	\$ 196
2014 Tax Year – Interim Billings	756
2015 Tax Year – Original Duplicate/Interim Billings	<u>-</u>
Variance – Net Amount Under Reported to the County	<u>\$ 952</u>

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

Upon analyzing the net under reported variance, we believe the following conditions attributed to the variances:

Net Variance – Net Amount Under Reported to the County	\$	952	
Less: One (1) Debit Interim Billing applicable to the 2013 Tax Year not properly accounted for on the July 2015 MRTD sheet		(196)	(a)
Three (3) Debit Interim Billings applicable to the 2014 Tax Year not properly accounted for on the July 2015 MRTD sheet		<u>(756)</u>	(b)
Net Amount Under/(Over) Reported to the County	\$	<u>-</u>	

(a) The Tax Collector inappropriately utilized a credit interim adjustment against a debit interim adjustment issued to the same taxpayer but for a different parcel. Since a credit interim adjustment issued for one (1) parcel cannot offset a debit interim adjustment for another parcel, the utilization was not allowed. The effect of this condition on the accompanying Settlement of Duplicate for the tax year ended January 15, 2016 was a \$196 understatement to the "Total Amount Reported by Tax Collector".

(b) Subsequent to the Tax Collector properly informing the Finance Department of the status of one (1) credit interim adjustment, which resulted in the issuance of a refund to a taxpayer, the Tax Collector improperly utilized a portion of the same credit interim adjustment to cancel three (3) debit interim adjustments issued to the same taxpayer but for different parcels. Since a credit interim adjustment issued for one (1) parcel cannot be used to offset debit interim adjustments for other parcels, the utilization was not allowed. The effect of this condition on the accompanying Settlement of Duplicate for the tax year ended January 15, 2016 was a \$756 understatement to the "Total Amount Reported by Tax Collector". Additionally, since a refund was issued to the taxpayer and the Tax Collector did not collect or lien the taxpayer for the amounts associated with the three (3) debit interim adjustments, the Tax Collector is both underreported and under remitted for the tax year ended January 15, 2016 by \$756.

R1. On July 26, 2017, the County provided the Tax Collector with specific instructions to rectify the \$756 under remittance condition. Regarding the reporting errors, it is the Tax Collector's responsibility to prepare and maintain accurate accounting records and to settle all duplicates to zero.

F2. Based on the requirements outlined in the *Local Tax Collection Law* and the guidelines issued by the Finance Department, we noted that the MRTD sheets submitted to the Finance Department were not always properly completed.

R2. The Tax Collector should be reminded of the importance of properly and accurately completing the MRTD sheets.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

- F3. An overall review of debit and credit interim adjustments issued to the Tax Collector disclosed the following conditions:
- One (1) debit interim adjustment was incorrectly reported on the December 2014 MRTD sheet and the Non-Lienables Carried Forward List even though no interim tax notice was issued.
 - The Tax Collector did not report timely the utilization of the interim adjustments on the MRTD sheets in 10% of the one hundred-ten (110) adjustments examined.
- R3. The Tax Collector should be reminded of the importance of properly and timely reporting the utilization of the debit interim adjustments and the applicable credit interim adjustments on the MRTD sheet(s). Additionally, debit interim adjustments should not be reported as utilized until the Tax Collector has generated and mailed the interim tax notices to the affected taxpayers.

Auditee's Response:

- F1. An error was made, but isn't it the purpose of the monthly reports to identify any mistakes made from the tax collector, so they can be corrected in a timely fashion.
- F2. Tax collector is aware of the importance of properly and accurately completing the MRTD reports.
- F3. Steps have been taken to resolve this matter per the recommendations of the auditors.

Upper Southampton Township Tax Collector

REPORT TO MANAGEMENT

EXIT CONFERENCE ATTENDANCE

An exit conference was held on August 15, 2017. Those in attendance were:

Upper Southampton Township Tax Office

James Fluehr, Sr., Tax Collector

Controller's Office

Denise Rimby, CPA, Audit Supervisor

Michael S. Adams, Auditor

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