



CONTROLLER'S OFFICE

COUNTY OF BUCKS

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

NEALE DOUGHERTY
Controller

KIMBERLY S. DORAN, CPA
Deputy Controller

June 11, 2019

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

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

Dear Chairman Loughery:

Enclosed is the report for the audit of the Settlement of Duplicates for the Bucks County real estate taxes of the Former Richland Township Tax Collector, Walter Johnson, for the tax years ended January 16, 2018 and January 15, 2017. The January 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.

As a notation to this audit, Walter Johnson ended his term as the Richland Township Tax Collector effective January 2019. A final audit of the tax year ended January 15, 2019 is forthcoming.

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.

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

Sincerely,

Neale Dougherty
Bucks County Controller

18-34
ND/mkw

cc: Walter Johnson, Former Richland Township 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
WALTER JOHNSON
RICHLAND TOWNSHIP TAX COLLECTOR
For the Period
January 16, 2016 through January 16, 2018
(Tax Years 2016 and 2017)

County of Bucks
Walter Johnson
Richland Township Tax Collector
For the Period January 16, 2016 through January 16, 2018

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Deputy Controller

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Settlement of Duplicates – cash basis, applicable to Bucks County (County) real estate taxes of the Richland Township Tax Collector (Tax Collector), for the tax years ended January 16, 2018 and January 15, 2017, and the related notes to the Settlement of Duplicates.

Management's Responsibility for the Settlement of Duplicates

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

Auditors' Responsibility

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

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

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

Continued...

Opinion

In our opinion, the Settlement of Duplicates referred to in the first paragraph present fairly, in all material respects, the total amount the Tax Collector is responsible to collect and the total amount reported by the Tax Collector, for the tax years ended January 16, 2018 and January 15, 2017, 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 of these matters.

Other Matters

Although the Tax Collector filed MRTD sheets with the County's Finance Department that resulted in the settlement of tax year 2016, the Tax Collector did not settle for tax year 2017. Additionally, the Tax Collector did not provide a detailed composition of the bank statement balance stated at \$61,319 as of January 16, 2018 nor did he provide adequate documentation to support the composition of the bank statement balance stated at \$88,341 as of January 15, 2017. Based on the importance of this analysis and as noted in F1. of the Cash – Bank Analysis section of the Report to Management, the auditors are unable to draw a conclusion as to whether the Tax Collector accurately accounted for all funds deposited into the bank account used for the collection and disbursement of County real estate taxes. Due to the importance of these compositions, the auditors performed additional procedures in an attempt to account for the remaining funds in the bank account as of the January 16, 2018 and January 15, 2017 settlement dates for these two (2) tax years. The results of these procedures are also discussed under F1. of the Cash – Bank Analysis section.

Restriction on Use

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



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

May 17, 2019
18-34

County of Bucks
Richland Township Tax Collector

Settlement of Duplicate
For the Tax Year Ended January 16, 2018
Tax Year 2017
(Cash Basis)

Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:

Total Carried Forward from Prior Year	\$ 2,649
2017 Tax Year - Tax Duplicate	3,704,437
2017 Tax Year - Interim Billings/Adjustments	12,519
2016 Tax Year - Interim Billings/Adjustments	<u>1,409</u>

Total Amount the Tax Collector is Responsible to Collect \$ 3,721,014

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 3,594,501	
Add: Discounts taken by Taxpayers	67,558	
Less: Penalties paid by Taxpayers	<u>(8,582)</u>	
Amount Collected at Face Value of Tax Bills		\$ 3,653,477
Unpaid Taxes to be Liened as Reported to the County:		
2017 Tax Year - Tax Duplicate and Interim Billings/Adjustments	69,712	
2016 Tax Year - Interim Billings/Adjustments	<u>373</u>	
Total Unpaid Taxes before Lien Removals	70,085	
Less: Lien Removals from January 17, 2018 to May 17, 2019	<u>(-)</u>	
Net Unpaid Taxes to be Liened as Reported to the County		70,085
Less: Refunds at Face Value made by Finance Department/Tax Claim Bureau from January 16, 2017 to May 17, 2019		(-)
Total Non-Lienables Carried Forward:		
2017 Tax Year - Interim Billings/Adjustments		<u>530</u>
Total Amount Reported by Tax Collector		<u>\$ 3,724,092</u>
Variance - Net Amount Under/(Over) Reported to the County		<u>\$ (3,078)</u>

See Notes to the Settlement of Duplicates.

County of Bucks
Richland Township Tax Collector

Settlement of Duplicate
For the Tax Year Ended January 15, 2017
Tax Year 2016
(Cash Basis)

Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:

Total Carried Forward from Prior Year	\$ 1,921
2016 Tax Year - Tax Duplicate	3,669,993
2016 Tax Year - Interim Billings/Adjustments	21,781
2015 Tax Year - Interim Billings/Adjustments	<u>737</u>

Total Amount the Tax Collector is Responsible to Collect \$ 3,694,432

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	\$ 3,559,915	
Add: Discounts taken by Taxpayers	67,409	
Less: Penalties paid by Taxpayers	<u>(9,353)</u>	
Amount Collected at Face Value of Tax Bills		\$ 3,617,971
Unpaid Taxes to be Liened as Reported to the County:		
2016 Tax Year - Tax Duplicate and Interim Billings/Adjustments	73,012	
2015 Tax Year - Interim Billings/Adjustments	<u>800</u>	
Total Unpaid Taxes before Lien Removals	73,812	
Less: Lien Removals from January 16, 2017 to May 17, 2019	<u>(-)</u>	
Net Unpaid Taxes to be Liened as Reported to the County		73,812
Less: Refunds at Face Value made by Finance Department/Tax Claim Bureau from January 16, 2016 to May 17, 2019		(-)
Total Non-Lienables Carried Forward:		
2016 Tax Year - Interim Billings/Adjustments		<u>2,649</u>
Total Amount Reported by Tax Collector		<u>\$ 3,694,432</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 (or by the next business day if the 15th falls on a weekend or legal holiday) 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/Tax Claim Bureau" 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 tax 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 billings/adjustments. Therefore, the total amount of County real estate taxes to be collected in a tax year is the tax duplicate amount plus and/or minus any interim billing/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. Tax Duplicate and Interim Billings/Adjustments

The Tax Duplicate and Interim Billing/Adjustment amounts presented under the "Amount the Tax Collector is Responsible to Collect" on the accompanying Settlement of Duplicates represent the total tax duplicate plus and/or minus all applicable interim billings/adjustments issued for the period indicated.

2. Remittances to the County

The \$3,559,915 reported on the accompanying Settlement of Duplicate for the tax year ended January 15, 2017 as the "Amount Collected from Taxpayers as Reported to the County" is derived from the MRTD sheets submitted by the Tax Collector to the County. A comparison of the amount reported to be collected to the amount actually disbursed to the County disclosed that the Tax Collector actually disbursed \$3,519,663 as of the January 15, 2017 settlement date, which resulted in a variance of \$40,252. On February 7, 2017, March 10, 2017 and March 13, 2017, the Tax Collector forwarded an additional \$24,864, \$15,117 and \$271, respectively, to the County that was applicable to the tax year 2016 Tax Duplicate/Interim Billings/Adjustments collections and the tax year 2015 Interim Billings/Adjustments collections. After consideration of these additional disbursements, the Tax Collector's remittances equaled the amount reported.

Continued...

NOTES TO THE SETTLEMENT OF DUPLICATES

3. Subsequent Events

Events subsequent to January 16, 2018 have been evaluated through May 17, 2019, the date the special-purpose statements were available to be issued, to determine whether they should be disclosed to keep the special-purpose statements from being misleading. The \$3,594,501 reported on the accompanying Settlement of Duplicate for the tax year ended January 16, 2018, as the "Amount Collected from Taxpayers as Reported to the County" is derived from the MRTD sheets submitted by the Tax Collector to the County. A comparison of the amount reported to be collected to the amount actually disbursed to the County disclosed that the Tax Collector actually disbursed \$3,573,495 as of the January 16, 2018 settlement date, which resulted in a variance of \$21,006. On February 13, 2018, the Tax Collector forwarded an additional \$21,029 to the County, of which \$21,005 was applicable to the tax year 2017 Tax Duplicate/Interim Billings/Adjustments collections. The remaining \$24 was applicable to a tax year 2017 Interim Billing/Adjustment collected in January of 2018. After consideration of this additional disbursement, the Tax Collector's remittances equaled the amount reported, with the exception of an immaterial \$1.

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

As indicated on the accompanying Settlement of Duplicate for the tax year ended January 16, 2018, the Tax Collector over reported \$3,078. The specific cause of this variance is discussed further in the Report to Management.



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NEALE DOUGHERTY
Controller

KIMBERLY S. DORAN, CPA
Deputy Controller

REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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

In planning and performing our audit of the Settlement of Duplicates, for the tax years ended January 16, 2018 and January 15, 2017, in accordance with U.S. generally accepted auditing standards, we considered the Tax Collector's internal control over the financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Settlement of Duplicates, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control. Furthermore, as stated in the Other Matters paragraph of the Independent Auditors' Report, the inability of the Tax Collector to provide detailed documentation to support the bank statement balances of \$61,319 and \$88,341 as of the January 16, 2018 and January 15, 2017 settlement dates, respectively, prohibited us from completing our evaluation on aspects of the Tax Collector's control environment. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in F1. of the Internal Control, F1. – F3. and F5. of the Cash – Bank Analysis, F1. and F3. of the Receipts Analysis and F1. - F2. of the Settlement of Duplicate sections of the Report to Management to be significant deficiencies.

Continued...

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

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



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

May 17, 2019
18-34

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 16, 2018 and January 15, 2017. 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 December 3, 2018. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

Qualitative Aspects of Accounting Practices

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

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

Difficulties Encountered in Performing the Audit

The Tax Collector did not provide all of the requested information, for tax year 2016 and tax year 2017, which was detailed in several requests from the Controller's Office. Specifically, as noted in F1. of the Cash – Bank Analysis section of the Report to Management, the Tax Collector did not provide any documentation to support the \$61,319 bank statement balance as of January 16, 2018 nor any documentation to support the \$88,341 bank statement balance as of January 15, 2017.

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. F2. of the Settlement of Duplicate section of the Report to Management provides details of the uncorrected misstatements to the Settlement of Duplicates. Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the Settlement of Duplicates taken as a whole for the tax years ended January 16, 2018 and January 15, 2017.

Representations from the Tax Collector

We have requested certain representations from the Tax Collector that are included in the management representation letter dated May 17, 2019.

Continued...

Richland 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.

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 two (2) Deputies.

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 May 17, 2019. The Internal Control, Cash – Bank Analysis, Receipts 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 May 17, 2019, 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. This condition, coupled with the untimely performance of monthly bank reconciliations and not maintaining deposit slips during the audit period, resulted in a severely inadequate control environment.

- R1. Although the small size of the office staff limits the extent of separation of duties, certain steps should be taken to separate incompatible duties. The basic premise to any internal control structure is that no one (1) individual should have access to both physical assets and the related accounting records or to all phases of a transaction. Additionally, on a monthly basis, the Tax Collector should prepare written bank reconciliations listing deposits-in-transit, outstanding checks, adjustments and reconciling items. The Tax Collector should also be reminded of the importance of maintaining all documentation that supports deposits of County real estate taxes.

Auditee's Response:

- F1. Although detailed listings of the deposit compositions were maintained, a better effort was made during 2018 to maintain the bank deposit slips. As a retiring tax collector for 2019 this will no longer be an issue.

Cash – Bank Analysis

Included within the audit were procedures to verify, through random selection of monthly bank statements, that the Tax Collector made only appropriate disbursements, maintained up-to-date checkbook balances, prepared monthly bank reconciliations and utilized the account for only tax collection activities.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash – Bank Analysis (Continued)

F1. In order to determine whether the Tax Collector maintained adequate accounting records to support the source of funds that made up the balances per the bank statements as of January 16, 2018 and January 15, 2017, we reviewed documents and inquired as to the composition of these balances. This analysis disclosed the following:

- The Tax Collector did not provide any documentation to support the \$61,319 bank statement balance as of January 16, 2018.
- The Tax Collector did not provide any documentation to support the \$88,341 bank statement balance as of January 15, 2017.

Given the significance of the unaccounted for funds in the County/Township bank account as of the January 16, 2018 and January 15, 2017 settlement dates, the auditors attempted to prepare the compositions based on the Tax Collector's records. These additional audit procedures reduced the unidentified portions of the January 16, 2018 and January 15, 2017 bank statement balances to \$(94) and \$5, respectively.

Included in the January 16, 2018 composition were the following items:

Balance per Bank Statement as of January 16, 2018	\$ 61,319
Add: Accumulation of Unreimbursed Service Charges	41
Add: Accumulation of Over Remittances to Taxing Districts pertaining to four (4) parcels from prior audit period	850
Add: Accumulation of Remittances for non-sufficient funds bank adjustments not properly accounted for by the Tax Collector	6,053
Add: Accumulation of Remittances for bank debit adjustments not properly accounted for by the Tax Collector	3,074
Add: Over Remittance to Township for 2017 Fire Tax Collections in April 2017	2,000
	<hr/>
Adjusted Bank Statement Balance	73,337
Less: Accumulation of Funds Due to Taxing Districts, which included \$1,087 from July 2015 collections	(33,279)
Less: Accumulation of sixty-four (64) untimely, pending refunds, which included thirty (30) refunds totaling \$22,661 pertaining to duplicate and overpayments deposited in 2014 and 2015	(39,755)
Less: Accumulation of Immaterial Overages and Tax Collector Fees	(309)
Less: One (1) outstanding check issued 12/31/18 for a duplicate payment collected in April 2017	(88)
	<hr/>
Net Unidentified Balance of Bank Account as of January 16, 2018	\$ (94)

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash – Bank Analysis (Continued)

- R1. If this condition still exists, the Tax Collector should immediately take the necessary steps to determine the composition of the bank statement balance and provide that information to the Finance Department and the Controller's Office.
- F2. The proper recipients and amounts of thirty (30) refunds totaling \$22,661, as noted in F1. of the Cash – Bank Analysis section of the Report to Management, were brought to the attention of the Tax Collector in the prior audit in order for refunds to be issued to the affected taxpayers. Per a review of the Tax Collector's check register and bank statements as of December 20, 2018, the fieldwork date, these duplicate payments and overpayments were not refunded to the taxpayers. In addition, the Tax Collector continued to knowingly deposit an additional \$17,094 in duplicate payments and overpayments from taxpayers during the audit period without issuing a refund, despite the Tax Collector identifying the taxpayer paying the duplicate payment or overpayment.
- R2. 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.
- F3. A review of the returned deposit item adjustments presented on the bank statements revealed that the Tax Collector did not properly account for or follow-up on eight (8) tax payments that were initially paid by check but were returned by the bank as having non-sufficient funds. Due to the lack of accounting for these adjustments, the Tax Collector erroneously remitted \$6,053 out of the bank account to taxing districts instead of liening the eight (8) applicable parcels for non-payment of their real estate taxes during the audit period. As a result, the Tax Collector remitted \$1,393 (\$1,394 face amount) and \$2,677 (\$2,615 face amount) to the County in real estate tax collections applicable to tax years 2017 and 2016, respectively, and a combined \$1,983 to the township for a total of \$6,053 in funds that were not collected or deposited in the bank account.

An analysis of lost County revenue for three (3) of these returned deposit items resulted in a \$139 under submission of County real estate taxes, which represents the difference between the amount reported as collected and remitted and the penalty amount that should be due.

In addition, the tax records were not adjusted to reflect the reversal of the payment dates originally recorded.

- R3. The Finance Department will contact the Tax Collector for further direction on the resolution of these noted conditions. The Tax Collector should reimburse the tax bank account \$6,053 for funds remitted but not collected and deposited in the bank account using personal funds.
- F4. The analysis of the service charges assessed to the bank account utilized for County real estate tax activities disclosed that there was \$41 of unreimbursed charges that had accumulated during the prior audit period that were not reversed by the bank or reimbursed by the Tax Collector as of the end of the audit period.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash – Bank Analysis (Continued)

- R4. To rectify this condition, the Tax Collector should contact the bank to request the reversal of the unreimbursed service charges accrued during the prior audit periods and/or reimburse the bank account using the Tax Collector's personal funds.
- F5. A review of the other bank debit adjustments not pertaining to non-sufficient funds disclosed that the Tax Collector did not properly account for any of these seven (7) adjustments issued during the audit period. Consequently, funds were remitted to taxing districts that were not collected and deposited in the bank account, which resulted in the bank account being short of funds.
- R5. The Tax Collector should reimburse the tax bank account \$3,074 for funds remitted but not collected and deposited in the bank account using personal funds.

Auditee's Response:

- F1. Difficulty was encountered in preparing the bank composition due to issues from the 2014-2015 audit. The 2018 bank composition was prepared as best as I could.
- F2. A more concerted effort was made during 2018 to issue the refunds in a timelier manner.
- F3. The tax collector will reimburse the account in the near future.
- F4. The \$41.00 was reimbursed to the account in April of 2018.
- F5. The tax collector will reimburse the account in the near future.

Receipts Analysis

As a part of the audit, we reviewed a sample of paid tax notices and deposits to determine whether payments were properly recorded and deposited intact and in a timely manner.

- F1. The Tax Collector did not always retain the postmarked envelopes for tax payments postmarked by the end of a collection period but received in the following collection period. Consequently, we were unable to verify eight (8) tax payments processed at the discount/face amount during the face/penalty period. Additionally, in one (1) instance, the Tax Collector accepted a face payment with a postmarked date in the penalty period. As a result, the County lost \$332 in revenue.
- R1. The Finance Department will contact the Tax Collector for further direction on the resolution of the lost revenue.
- F2. An analysis of a sample of County real estate tax payments revealed that the Tax Collector was not always depositing tax payments by the next business day.
- R2. Since the Tax Collector is no longer in office, no recommendation is required.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Receipts Analysis (Continued)

- F3. The Tax Collector appears to have paid his own taxes at the discount rate after that period had already ended. As a result of this condition, the County lost \$24 in real estate tax revenue.
- R3. The Finance Department will contact the Tax Collector for further direction on the resolution of the lost revenue.

Auditee's Response:

- F1. The tax collector will discuss resolution of this issue with the Finance Department.
- F2. No longer an issue as Tax Collector has retired.
- F3. The tax collector will discuss resolution of this issue with the Finance Department.

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 the following conditions:
- The interim/adjusted tax notices were not issued in a timely manner in 27% of the fifteen (15) tax notices examined.
 - The Tax Collector was untimely in notifying the Finance Department of a refund due to affected taxpayers in 100% of the three (3) applicable credit interim adjustments examined.
- R1. Since the Tax Collector is no longer in office, no recommendation is required.
- F2. Our analysis of the MRTD sheets submitted to the County revealed the following conditions:
- In 52% of the twenty-one (21) applicable months examined, the final disbursement of real estate tax collections for a given month did not occur until after the tenth day of the following month or after the settlement dates as mentioned in Notes 2 and 3 to the Settlement of Duplicates. This procedure is not in accordance with Section 25 of the *Local Tax Collection Law*.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Compliance (Continued)

- Disbursements/wire transfers of County real estate tax revenue were not always forwarded timely to the County based on the requirements outlined in the *Local Tax Collection Law* and the guidelines issued by the Finance Department.

R2. Since the Tax Collector is no longer in office, no recommendation is required.

F3. A scan of the bank statements revealed one (1) tax payment applicable to tax year 2016 that was returned by the bank on January 5, 2017 as having non-sufficient funds. Given the return date, it appears the Tax Collector did not adhere to Section 10(e) of the *Local Tax Collection Law*, which states that after December 15th "...personal checks will no longer be accepted for payment of taxes and penalty."

R3. Since the Tax Collector is no longer in office, no recommendation is required.

Auditee's Response:

- F1. A stronger effort was made during 2018 to issue the adjustments and credits in a more timely manner
- F2. No longer an issue as Tax Collector has retired.
- F3. Check had been received before the 15th, but I missed processing the payment.

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 settlement for the tax year ended January 16, 2018:

Item to be Settled	Under/(Over) Reported to the County
2016 Tax Year – Interim Billings/Adjustments	(122)
2017 Tax Year – Interim Billings/Adjustments	653
2017 Tax Year – Tax Duplicate	<u>(3,609)</u>
Variance – Net Amount Over Reported to the County	\$ <u>(3,078)</u>

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

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

Variance – Net Amount Over Reported to the County	\$ (3,078)	
Less: Error in transferring Balance Collectible – End of Month on October 2017 MRTD to Balance Collectible – Beginning of Month on November 2017 MRTD	3,065	(a)
Unidentified Net Variance	\$ (13)	(b)

(a) Based on the October 2017 and November 2017 MRTD submission, the Tax Collector had an ending balance collectible on the October 2017 MRTD of \$127,199 for 2017 duplicates and a beginning balance collectible on the November 2017 MRTD of \$130,795. Additionally, the Tax Collector had an ending balance collectible on the October 2017 MRTD of \$3,677 and \$251 for 2017 interims and 2016 interims, respectively. The Tax Collector showed a beginning balance collectible on the November 2017 MRTD of \$3,024 and \$373 for 2017 interims and 2016 interims, respectively. The effect of this condition on the Settlement of Duplicate for the tax year ended January 16, 2018 resulted in a \$3,065 overstatement to the "Total Amount Reported by Tax Collector."

(b) The Tax Collector has not yet identified the variance.

R1. It is the Tax Collector's responsibility to prepare and maintain accurate accounting records to support all transactions involving the collection and disbursement of County real estate taxes and to settle all duplicates to zero. Although a discrepancy has been noted between the ending balances recorded on the October 2017 MRTD sheet and the beginning balances reported on the November 2017 MRTD sheet, the reason for these changes was not identified by the Tax Collector. Furthermore, even after consideration of the known reporting discrepancies, the Tax Collector has not identified the source of the remaining \$13 over reported variance. As such, the Tax Collector should take the necessary steps to resolve all variances and to file the necessary amended MRTD sheets with the Finance Department.

F2. As previously mentioned in F3. and F5. of the Cash – Bank Analysis section of the Report to Management, the Tax Collector did not adjust the tax collection records and subsequent remittances to the taxing districts to account for non-sufficient fund and other debit adjustment transactions that were made by the bank. Consequently, there were times when the Tax Collector reported and remitted funds out of the bank account to the County that were not in the tax bank account. The effect of these conditions on the accompanying Settlement of Duplicates for the tax years ended January 16, 2018 and January 15, 2017 were overstatements to the "Amount Collected at Face Value of Tax Bills" and understatements to the "Net Unpaid Taxes to be Liened as Reported to the County" amounts of \$1,394 and \$2,615, respectively.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Settlement of Duplicate (Continued)

R2. In order to rectify the current shortfall in the County/Township bank account resulting from these erroneous remittances, the Tax Collector should reimburse the bank account with \$9,127 from personal funds, which represents both the County and the township's portions of the unaccounted for non-sufficient funds and other debit adjustment transactions processed by the bank.

Auditee's Response:

- F1. An effort will be made to identify the \$13.00
- F2. The account will be reimbursed in the near future.

SUMMARY OF THE EXIT CONFERENCE

An exit conference was held on May 7, 2019. Those in attendance were:

Richland Township Tax Office

Walter Johnson, Tax Collector

Controller's Office

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

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