



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

April 8, 2019

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

Re: Audit of the Bucks County Tax Claim Bureau

Dear Commissioner Loughery:

Enclosed is the report for the audit of the Bucks County Tax Claim Bureau's financial statements for the period ended July 31, 2017 and for the year ended December 31, 2016. The section of the report titled Report to Management includes our findings and recommendations. We have advised the Tax Claim Bureau that we welcome discussion of the ideas expressed herein and would be pleased to assist in the implementation of our recommendations.

As a notation to this report, Marguerite C. Genesio served as the Director until her retirement on July 27, 2017. The audit period ending date is the first month end after her retirement. Barbara L. DiNoia is the current Director of the Tax Claim Bureau.

This examination was made in order to ascertain that County assets were adequately safeguarded and that the Tax Claim Bureau properly and accurately maintained its financial records. 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 under the circumstances.

We express our appreciation for the courtesies extended to our auditors and acknowledge the cooperative assistance we received from the Tax Claim Bureau's staff.

Should you have any questions regarding this audit report, please call us at (215) 348-6435 between 7:00 a.m. and 5:00 p.m.

Sincerely,

Neale Dougherty
Bucks County Controller

17-28
ND/mkw

cc: Barbara L. DiNoia, Director, Tax Claim Bureau, County of Bucks
David P. Boscola, Director of Finance and Administration, Finance Department, County of Bucks
Brian Hessenthaler, CPA, Chief Operating Officer, County of Bucks
Eugene DePasquale, Auditor General, Commonwealth of Pennsylvania

COUNTY OF BUCKS
TAX CLAIM BUREAU

For the Period
January 1, 2016 through July 31, 2017

County of Bucks
Tax Claim Bureau
For the Period January 1, 2016 through July 31, 2017

TABLE OF CONTENTS

	Page(s)
<hr/> INDEPENDENT AUDITORS' REPORT <hr/>	1-2
FINANCIAL STATEMENTS:	
Comparative Statement of Revenue (Interim) – For the Period Ended July 31, 2017 (Cash Basis)	3
Comparative Statement of Expenditures (Interim) – For the Period Ended July 31, 2017 (Cash Basis)	4
Comparative Statement of Revenue – For the Year Ended December 31, 2016 (Accrual Basis)	5
Comparative Statement of Expenditures – For the Year Ended December 31, 2016 (Accrual Basis)	6
Notes to the Financial Statements	7-9
<hr/> REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES <hr/>	10-11
REPORT TO MANAGEMENT:	
Cover Letter	12-13
Findings and Recommendations	14-30
SUMMARY OF THE EXIT CONFERENCE	31
ORGANIZATION CHART	32



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KIMBERLY S. DORAN, CPA
Deputy Controller

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Bucks County Tax Claim Bureau (TCB), for the period ended July 31, 2017 and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise TCB's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Comparative Statements of Revenue and Expenditures (Interim) for the period ended July 31, 2017 in accordance with the cash basis of accounting and the Comparative Statements of Revenue and Expenditures for the year ended December 31, 2016 in accordance with U.S. generally accepted accounting principles, which are acceptable bases for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TCB's preparation and fair presentation of the financial statements 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 TCB'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 management, as well as evaluating the overall presentation of the financial statements.

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 financial statements referred to in the first paragraph present fairly, in all material respects, the results of the operations and respective budgetary comparison for the period ended July 31, 2017, in accordance with the cash basis of accounting as described in Note 1.C. and for the year ended December 31, 2016, in accordance with U.S. generally accepted accounting principles.

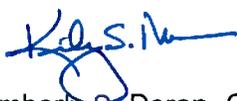
Interim Financial Statements – Basis of Accounting

We draw attention to Note 1.C. to the Financial Statements, which discusses in more detail the reason that the interim financial statements for the period ending July 31, 2017 were presented on the cash basis of accounting, which is a basis of accounting other than U.S generally accepted accounting principles; whereas the financial statements for the year ended December 31, 2016 were presented on the accrual basis of accounting.

Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of TCB's management, the County of Bucks (the County) and the Commonwealth of Pennsylvania (the Commonwealth). 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

March 8, 2019
17-28

County of Bucks
Tax Claim Bureau

Comparative Statement of Revenue (Interim)
For the Period Ended July 31, 2017
(Cash Basis)

	<u>January 1 to July 31, 2017</u>		Variance- Favorable/ (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Departmental Revenue:			
Interest Certificates of Deposit	\$ 2,450	\$ 4,190	\$ 1,740
Fees Tax Claim Bureau	455,000	187,798	(267,202)
Tax Claim Bureau Commissions	<u>1,035,417</u>	<u>802,658</u>	<u>(232,759)</u>
Total Departmental Revenue	<u>1,492,867</u>	<u>994,646</u>	<u>(498,221)</u>
Total Revenue	<u>\$ 1,492,867</u>	<u>\$ 994,646</u>	<u>\$ (498,221)</u>

See Notes to the Financial Statements.

County of Bucks
Tax Claim Bureau

Comparative Statement of Expenditures (Interim)
For the Period Ended July 31, 2017
(Cash Basis)

	January 1 to July 31, 2017		Variance- Favorable/ (Unfavorable)
	Budget	Actual	
Salaries and Fringe Benefits:			
Staff Special/Supplemental Pay	\$ 158,608	\$ 108,214	\$ 50,394
Staff/Premium Pay	-	235	(235)
Per Diems FICA and Retirement	7,233	6,284	949
Estimated Fringe Benefits	94,500	75,666	18,834
Total Salaries and Fringe Benefits	260,341	190,399	69,942
Supplies and Services			
Software	583	-	583
Office Supplies	2,917	2,050	867
Forms	1,458	231	1,227
Equipment Non-Capital	1,167	-	1,167
Postage and Freight	26,250	45,000	(18,750)
Staff Training/Conferences	-	(41)	41
Constable Fees	17,500	100	17,400
Advertising	21,000	431	20,569
Printing and Reproduction	1,283	643	640
Equipment Rental	-	514	(514)
Legal	583	-	583
Searches of Liens	2,917	1,530	1,387
Dues	117	125	(8)
Miscellaneous Purchased Services	350	3	347
Software Maintenance	14,583	25,000	(10,417)
Indirect Services - Technical	1,400	1,080	320
Internal Services - Licenses	2,100	1,800	300
Total Supplies and Services	94,208	78,466	15,742
Total Expenditures	\$ 354,549	\$ 268,865	\$ 85,684

See Notes to the Financial Statements.

County of Bucks
Tax Claim Bureau

Comparative Statement of Revenue
For the Year Ended December 31, 2016
(Accrual Basis)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable/ (Unfavorable)</u>
Departmental Revenue:			
Interest Certificates of Deposit	\$ 1,500	\$ 1,575	\$ 75
Fees Tax Claim Bureau	660,000	773,238	113,238
Tax Claim Bureau Commissions	1,815,000	1,600,524	(214,476)
Miscellaneous Reimbursed Expense	-	635	635
Total Departmental Revenue	<u>2,476,500</u>	<u>2,375,972</u>	<u>(100,528)</u>
Total Revenue	<u>\$ 2,476,500</u>	<u>\$ 2,375,972</u>	<u>\$ (100,528)</u>

See Notes to the Financial Statements.

County of Bucks
Tax Claim Bureau

Comparative Statement of Expenditures
For the Year Ended December 31, 2016
(Accrual Basis)

	Budget	Actual	Variance- Favorable/ (Unfavorable)
Salaries and Fringe Benefits:			
Staff Special/Supplemental Pay	\$ 266,900	\$ 267,949	\$ (1,049)
Per Diems FICA and Retirement	26,900	11,099	15,801
Estimated Fringe Benefits	151,200	167,277	(16,077)
Budget Adjustment Salaries and Fringe Benefits	5,000	-	5,000
Total Salaries and Fringe Benefits	450,000	446,325	3,675
Supplies and Services			
Software	5,000	-	5,000
Office Supplies	3,700	4,394	(694)
Forms	3,500	1,103	2,397
Equipment Non-Capital	2,000	606	1,394
Postage and Freight	42,000	51,000	(9,000)
Staff Training/Conferences	1,500	595	905
Constable Fees	34,000	28,850	5,150
Advertising	35,000	29,679	5,321
Printing and Reproduction	2,200	1,038	1,162
Equipment Rental	1,000	737	263
Legal	500	534	(34)
Searches of Liens	5,000	10,099	(5,099)
Dues	200	125	75
Miscellaneous Purchased Services	600	49	551
Software Maintenance	25,000	25,000	-
Indirect Services - Technical	2,400	2,160	240
Internal Services - Licenses	4,200	3,600	600
Budget Adjustment Supplies and Services	(5,000)	-	(5,000)
Total Supplies and Services	162,800	159,569	3,231
Total Expenditures	\$ 612,800	\$ 605,894	\$ 6,906

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The major accounting principles and practices followed by TCB and the County are presented below to assist the reader in understanding the financial statements. The accounting principles and practices are presented in conformity with U.S. generally accepted accounting principles applicable to governmental units.

A. Date of Management's Review

Management has evaluated subsequent events through March 8, 2019, the date on which the financial statements were available to be issued. No events have taken place that affect the financial statements or require disclosure.

B. Nature of Operations

TCB provides for the collection of delinquent real estate taxes and the return of properties to the tax rolls through adherence to the *Real Estate Tax Law*, Act of Jul. 7, 1947, P.L. 1368, No. 542. in order to achieve these goals.

C. Financial Statement Presentation and Basis of Accounting

The accounting system of the County is organized on the fund basis and is recorded in the County's Infor Lawson Enterprise Resource Planning computer system (Infor Lawson). A fund is considered a separate accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, as appropriate. The funds are segregated for the purpose of recording a specific activity or objective in accordance with special regulations, restrictions or limitations.

The accompanying financial statements are presented from only the accounts and transactions designated as being applicable to TCB. The County maintains the activities of TCB in the General Fund. The General Fund is the County's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund. As such, the overall operation of TCB is accounted for through the General Fund, and accordingly, the results from the operations are reflected in the accompanying Comparative Statements of Revenue and Expenditures.

Typically, the accounts of TCB are maintained and the accompanying financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized as soon as they are both measurable and available. Departmental revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

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

C. Financial Statement Presentation and Basis of Accounting (Continued)

As indicated in Note 2 of the Financial Statements, TCB's Director, Marguerite C. Genesio, retired in July 2017. As such, the audit period ending date of July 31, 2017 is the first month end after her retirement, which prompted the use of interim Comparative Statements of Revenue and Expenditures. Throughout the year, TCB's revenue and expenditures are posted to the County's Infor Lawson software as transactions occur, which is effectively the cash basis of accounting. The conversion to an accrual basis of accounting only occurs annually when year-end adjustments are posted to capture applicable receivable and payable amounts. Since these year-end adjustments did not occur as of July 31, 2017, the accompanying Comparative Statements of Revenue and Expenditures (Interim) are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the cash basis, revenue is recognized when cash is received and expenditures are recognized when paid.

D. Budgetary Accounting Controls

In accordance with provisions of Public Law of the Commonwealth, commonly known as the *County Code*, the County prepares and adopts a budget on or before December 31st for the following calendar year. The County maintains budgetary control by departmental classification. Budgetary transfers and/or additional appropriations from additional revenues received, or from unexpended funds appropriated but not spent in prior years, must be approved by the County Commissioners. Expenditures cannot legally exceed the appropriations at the budgetary control levels described above. The annual budget for TCB is prepared on the accrual basis of accounting.

E. Encumbrances

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the General Fund under TCB's specific accounting unit. Encumbrance accounting is utilized to assure effective budgetary control and accountability. All encumbrances are liquidated at year end.

F. Compensated Absences Payable

The County adopted GASB's Statement No. 16 "Accounting for Compensated Absences" as its standard of accounting and reporting for compensated absences by State and Local governmental entities. TCB employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to the amount specified in their union contract or in the *Human Resources Handbook for Non-Union Employees*. Employees with eight (8) years of service prior to 2014 are reimbursed 50% of their accumulated sick leave to a maximum of 20% of their base salary upon separation from the County. Employees with less than eight (8) years of service prior to January 1, 2014 are reimbursed 50% of their accumulated sick leave to a maximum of 10% of their base salary upon separation from the County and reaching eight (8) years of service.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

F. Compensated Absences Payable (Continued)

The TCB's portion of the accrual for these compensated absences is not reflected in the accompanying financial statements.

G. Revenue

The revenue collected by TCB is primarily derived from commissions and fees received for the collection of delinquent real estate taxes and the sale of properties with outstanding liens.

H. Expenditures

Since TCB is primarily responsible for the collection of delinquent real estate taxes and if necessary, the subsequent sale of properties, a majority of the expenditures incurred are applicable to salaries, fringe benefits, postage, sale costs and software maintenance.

I. Building, Maintenance and Utility Costs

The physical office space of TCB is located in a County-owned building. The expenditures related to the building, maintenance and utilities applicable to this office space are not directly charged to TCB's budget and therefore, are not included in the accompanying Comparative Statement of Expenditures.

2. Director of Tax Claim for the Audit Period

The TCB's Director during the audit period was Marguerite Genesio until her retirement on July 27, 2017. Barbara L. DiNoia became the new Director on August 21, 2017.



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REPORT ON SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of TCB for the period ended July 31, 2017 and for the year ended December 31, 2016, in accordance with U.S. generally accepted auditing standards, we considered TCB's internal control over the financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TCB's internal control. Accordingly, we do not express an opinion on the effectiveness of TCB'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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of TCB's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in F1. – F2. of the Internal Control section and F1. of the Computer Environment Analysis, Cash – Bank Analysis and Monthly Receipts and Distribution Analysis sections of the Report to Management to be material weaknesses.

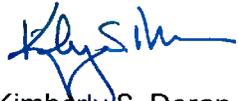
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in F2. – F3. of the Computer Environment Analysis, F2. – F3. of the Cash – Bank Analysis, F1. – F4. of the Receipts Analysis, F1. – F3. of the Property Sales Analysis, F1. – F2. of the Adjustment Analysis and F1. – F2. of the Payroll Analysis sections of the Report to Management to be significant deficiencies.

Continued...

During our audit, we also became aware of other deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. Although we have already discussed many of these comments and suggestions with TCB's management, those matters are also presented in the Report to Management.

TCB's written response to the material weaknesses, significant deficiencies and other matters identified in our audit and presented in the Report to Management was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of TCB's management, the County and the Commonwealth. 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

March 8, 2019
17-28

REPORT TO MANAGEMENT

COVER LETTER

We have audited the financial statements of TCB for the period ended July 31, 2017 and for the year ended December 31, 2016. Professional standards require that we provide TCB's management 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 Barbara L. DiNoia, current Director dated October 25, 2017. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by TCB are described in Note 1 to the financial statements. 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 TCB during the audit period for which there is a lack of authoritative guidance or consensus. All significant transactions have been properly recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on County management's knowledge and experience. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting TCB's financial statements was the calculation of *Estimated Fringe Benefit* amounts of \$75,666 and \$167,277 for the period ended July 31, 2017 and for the year ended December 31, 2016, respectively.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management 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. Finding F2. of the Payroll Analysis section of the Report to Management presents the only reported uncorrected misstatement to the Comparative Statements of Expenditures for the period ended July 31, 2017 and the year ended December 31, 2016. Management has determined that the effects of all uncorrected misstatements to the Comparative Statements of Revenue and Expenditures are immaterial, both individually and in the aggregate, to these statements taken as a whole.

Continued...

Tax Claim Bureau

REPORT TO MANAGEMENT

COVER LETTER

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2019.

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 management.

Report Distribution

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Legend:

F – Finding

R – Recommendation

Staffing and Organizational Structure

TCB's staff consisted of one (1) Director, one (1) Solicitor and six (6) staff members.

An organization chart (page 32) has been provided to illustrate the position of TCB as it relates to the County's organizational structure. As indicated, TCB is a department within the Finance and Administration Division of the County and, therefore, reports directly to the division leader, David P. Boscola.

During our audit, we became aware of material weaknesses and significant deficiencies in internal control that have been identified as such in the separate report titled "Report on Significant Deficiencies and Material Weaknesses" dated March 8, 2019. Each section includes the details specific to the identified material weaknesses and/or significant deficiencies noted in TCB's control environment and our recommendations for improvement. The Report to Management does not affect our "Independent Auditors' Report" dated March 8, 2019, on the financial statements of TCB.

Internal Control

A review of the internal control environment disclosed the following:

- F1. A review of the financial transactions recorded and the property sale procedures performed by TCB personnel revealed a general lack of segregation of duties among the collection, receipting (including the voiding of receipts) and sale processes. This condition coupled with the numerous control deficiencies noted in F1. of the Computer Environment Analysis section, including the lack of an Audit Trail Report, as well as the premature destruction of records noted in F1. of the Receipts Analysis section, resulted in a severely inadequate control environment and the possibility for management override of controls and misstatements due to fraud or error.

Additionally, TCB did not operate at full staff for the entire audit period. The shortage of personnel was another factor that partially contributed to the lack of segregation of duties. Furthermore, the lack of personnel could have caused a change in TCB's compliance with certain established control procedures, thereby weakening the overall internal control system.

- 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) employee should have access to both the physical assets (collections) and the related accounting records or to entries leading up to the sale process. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Internal Control (Continued)

F2. A review of the control environment over the opening and processing of mail payments disclosed the following conditions:

- A detailed mail log was not maintained to document all cash, checks and money orders received through the mail.
- The tasks of opening the mail and processing the mail payments were not segregated.
- A process was not in place to ensure that all mail payments were either processed and deposited within one (1) business day or returned to the payee by the next business day.

Due to the lack of controls over payments received through the mail, the auditors were unable to verify, conclusively, all aspects of the daily receipts testing.

R2. In an effort to tighten controls over both the mail payments and the daily receipts process, the following procedures should be implemented by management:

- A detailed mail log showing payees, amounts, check/money order numbers and date received should be prepared on a daily basis immediately upon the opening of the mail. At the end of each day or when the daily close-out is performed, the mail log total should be compared to the total of the receipt slips marked "mail". Any variances between these amounts should be reconciled immediately and thoroughly documented. If a payment cannot be accepted, TCB should identify that payment on the mail log, copy the check or money order being returned and attach the copy to that day's mail log.
- The task of preparing the mail log should be assigned to a person who is independent of other functions such as maintaining the accounting records, receipting payments, disbursing funds, and preparing or making the daily bank deposit(s).
- Submit a request to the Devnet programmers to include the ability to distinguish mail from over-the-counter receipts and to have a separate total of mail receipts populated on the Batch Listing Report.

Auditee's Response:

F1. When possible segregation of duties is done. The Tax Claim is actively working with the vendor to create an audit trail report.

F2. Bullet 1: A detailed mail log is now maintained for checks and money orders. This process is done by the Office Manager and reconciled at the end of the day by the Senior Accountant.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Internal Control (Continued)

- F2. Bullet 2: The task of opening the mail is done by the Office Manager and processed by the Coordinators when possible.
- F2. Bullet 3: When possible mail payments are processed the day they are received. When payments are not entered into the system on the same day (due to volume), we have an updated list of checks being held.

Computer Environment Analysis

The audit included a review of TCB's overall computer environment. This included an inquiry of the user security assignments applicable to the transactions processed in the Infor Lawson software, which supported the accompanying financial statements, and an evaluation of TCB's Devnet software.

The Devnet software was utilized by the staff to process delinquent real estate tax payments and determine subsequent distributions to the County, school districts and municipalities. The controls within the Devnet software were considered a critical aspect to TCB's control environment. However, as noted in this section, the software contained many control deficiencies that cultivated the possibility of undetected overrides by management and/or material misstatements of the funds collected by TCB.

- F1. As a result of a review of reports and documents and discussions with management and the Devnet software vendor, the following conditions were noted pertaining to the controls over the receipting of payments into the software and any subsequent voids or adjustments:
- Completed receipt slips could be entirely removed from the software through the use of a "Delete" button. For the audit period, one hundred twenty-seven (127) receipt numbers were identified as "missing" from the receipt sequence and there was no Audit Trail Report available from the software to track when these numbers were removed from the database. Given the potential risk applicable to this condition, the current Director disabled the "Delete" button upon the auditors' request on August 23, 2018. However, due to the lack of documentation, the auditors were unable to draw any conclusions about whether any payments were taken in on these "missing" receipts.
 - All users of the software had the ability to void and/or edit all fields of a receipt slip after the receipt had been printed/completed, including receipts contained in "Closed" batches, with no Voided Receipt Report or Audit Trail Report available to capture the original receipt information that was entered. Consequently, management did not have the necessary tools available to adequately monitor changes made to receipt slips both before and after the closing of a batch.
 - Although daily receipt batches could be "Closed", the batches were not locked from subsequent edits/changes. It was further disclosed that most users had the ability to access a "Closed" (finalized) batch, re-open it, make changes to a completed receipt slip(s) then re-close the batch without any management oversight or audit trail.

Continued...

REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Computer Environment Analysis (Continued)

These edits included changes to receipt amounts as well as subsequent voids to previously completed receipts. Due to the potential risk of this functionality, the auditors' also recommended that this feature be disabled. However, this function could only be limited to a few users since TCB needed the ability to void receipts due to non-sufficient funds (NSF) checks and other errors and there was no other means within the software to enter these necessary corrections.

- The software was not programmed to distinguish between a correction made to a receipt before the close of a batch verses one made after a batch had been closed. Consequently, when a receipt was voided, the software zeroed-out the original receipt information instead of creating a separate off-setting transaction using the void processing date. This resulted in misleading receipt/deposit reports and inaccurate Monthly Distribution Reports, which were the basis for the distribution of funds to the County, school districts and municipalities. Furthermore, the details of the voided receipt, such as the payment type, amount and corresponding allocation among the fees and taxes was not stored in the software once voided. Since voided receipts were not properly handled within the software, manual adjustments were made to Monthly Distribution Report amounts; however, those adjustments could not be verified back to source documents. Additionally, since the void feature removed the receipt amount and its allocation from that day's records, reports run subsequently were understated by the amount of the void(s). This was particularly problematic when a receipt was processed in one (1) month but voided in a later month.
- The receipt number search field did not function as expected as it did not return results for miscellaneous or sale proceed payments even though these receipt numbers were in the same sequence as the receipts processed for delinquent real estate tax collections. The inability of the program to identify these specific receipt types carried into the various receipt reports in that the software did not produce an all-inclusive Receipt Report.
- Although the software could calculate "Change" on a cash payment, it did not properly calculate the cash deposit amount on the Batch Listing Report. As such, this feature was not used by the staff.
- Due to limitations of the software, proceeds from Upset, Judicial and Repository Tax sales were not adequately accounted for in the Devnet software. Specifically, when the funds were receipted through the special sale proceeds receipt screen, the associated receipts were not included in that day's Batch Listing Reports.
- The Adjustment Report, which was developed after implementation and paid for separately, did not provide fundamental information such as the adjustment date, all balance due amounts, payment amount categories (such as County Fees, Miscellaneous Revenue, etc.) or the receipt number being adjusted when applicable. Additionally, there was no option to generate this report by either adjustment date or by parcel number and to show that information in its entirety.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Computer Environment Analysis (Continued)

- The physical register drawers located at each cashier's desk were not tied to the Devnet software.
 - Although each physical register drawer had a lock and key, the locks were keyed alike allowing any cashier's drawer to be opened with the same key.
- R1. Given the importance of these matters, this information was communicated in a letter to County management on August 31, 2018. It is imperative that TCB's management continue to review and address each identified condition with the vendor and to formulate a corrective action plan. Sound internal control procedures recommends that receipts should be locked from editing once printed/completed and that voided receipts and adjustments be properly tracked, performed by only authorized users and approved by management. Additionally, physical register drawers should be tied to the software and only open upon the receipt of cash transactions. The combination of these control deficiencies together with the volume of collections creates a potential for a material misappropriation. Based on the amounts recorded in the Infor Lawson software, the collections subjected to these control weaknesses represented over \$36 million for the year ended December 31, 2016. These control weaknesses could result in unrecorded collections.
- F2. Although the Devnet software was utilized by TCB to document receipts, adjustments and the subsequent calculation of monthly distributions, the program did not produce a general ledger or any typical accounting reports such as a Balance Sheet or a Trial Balance. As previously mentioned, inaccurate Monthly Distribution Reports were sometimes produced due to adjustment limitations. Consequently, in an effort to account for the software's inadequacies, spreadsheets were manually prepared in order to determine correct monthly distribution amounts. Since these spreadsheets were maintained by a single employee, errors in postings could have existed and not been detected. Furthermore, there were instances when incorrect adjustments were posted to these spreadsheets resulting in under or over payments to taxing districts, which went uncorrected for over two (2) years.
- R2. In an effort to promote operational efficiencies and to reduce the risk of errors, management should seek software solutions that would include a full accounting system with the ability to segregate duties and to incorporate proper controls.
- F3. The audit included an inquiry of the user security assignments applicable to the transactions supporting the accompanying financial statements. The County utilized the Infor Lawson software to process and post all transactions related to payroll, human resources, purchasing, budgeting and accounting functions. Reports generated from this software were the basis for the amounts presented on the accompanying financial statements. The foundation of the internal control structure within the Infor Lawson software is predicated on the assignment of users to pre-defined roles. Though numerous, the roles were fundamentally divided into two categories: (1) creator of a transaction/entry and (2) approver of a transaction/entry. The basis of security both within and, if applicable, outside of this software resided in the separation of these core functions to create a check and balance

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Computer Environment Analysis (Continued)

over a specific process. A review of the assignment of roles over the time entry process and the acquisition of products and services disclosed that the Director was both the preparer and approver of bi-weekly payroll as well as the requestor, approver and receiver of purchases entered into the Infor Lawson software. This resulted in a lack of segregation of duties over these processes.

- R3. It is the responsibility of management to maintain acceptable internal controls, which includes insuring that no one (1) employee has access to all phases of a transaction. Therefore, management should review the current role assignments and, if necessary, take immediate action to re-assign user roles in a manner that results in the separation of the creator and the approver roles within the same transaction type (payroll, purchasing, accounting, etc.).

Auditee's Response:

- F1. Bullet 1: A request was issued to our software vendor to remove this option from any staff member of the Tax Claim Bureau.
- F1. Bullet 2: The Tax Claim is actively working with the vendor to create an audit trail report and to enhance our void documentation.
- F1. Bullet 3: The ability to open closed batches is limited to the Director and Senior Accountant.
- F1. Bullet 4: A voided receipt currently shows the void amount but the distribution amount is still zeros. Voids currently show on distribution reports but are not reduced on the reports; void deductions are still done manually.
- F1. Bullet 5: Per our software vendor the system is parcel-based and cannot search for miscellaneous or sale receipts. There is not an all-inclusive receipt report.
- F1. Bullet 6: The Tax Claim is actively working with the vendor to review and activate the "Change" feature on our receipts.
- F1. Bullet 7: The sale receipts should not be included on the daily closeout report. It should have a separate closeout and receipt numbers.
- F1. Bullet 8: The Tax Claim is actively working with the vendor to correct issues with this report.
- F1. Bullet 9: It is not possible to tie software to cash drawers.
- F1. Bullet 10: The Bureau now have separate cash drawers for exclusively cash that are all keyed differently.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Computer Environment Analysis (Continued)

- F2. All known over/under payments have been subsequently corrected. Currently the distribution report shows voids but the impact to distribution has to be manually calculated.
- F3. Currently all Lawson roles are segregated.

Cash – Bank Analysis

Included within the audit were procedures to verify, through random selection of the monthly bank statements applicable to the three (3) department-controlled TD Bank Accounts (titled Sale, Holding and Credit Card), that TCB was (1) adequately accounting for all cash maintained in these accounts (through a composition analysis), (2) properly reconciling the bank accounts within fifteen (15) days from the receipt of the bank statements and (3) maintaining up-to-date checkbook balances.

- F1. In order to determine whether adequate accounting records were maintained to support the source of funds that made up the net cash balances of the department-controlled bank accounts as of July 31, 2017, documents were reviewed and inquiries were made as to the composition of these account balances. This analysis disclosed that management could not determine the source of \$56,411 and \$267,321 of the net cash balances in the Sale and Holding accounts as of July 31, 2017, respectively. It should be noted that these same unidentified amounts were included in the TCB's Agreed-Upon Procedures Report, issued by the Controller's Office and released on September 27, 2017, as being unidentified as of September 30, 2016.
- R1. It is management's responsibility to ensure that all funds maintained in department-controlled bank accounts are adequately tracked and are accounted for in their entirety. As such, management should task an employee(s) with the responsibility to review the necessary records to determine the parcel(s) associated with the unidentified amounts. If after appropriate efforts have been made without complete resolution, management should consult their division leader for guidance on how to resolve these ongoing conditions.
- F2. While conducting the fieldwork, the auditors became aware of the following issues:
- TCB maintained an over/under fund, which represented the accumulation of net over/under amounts in the cash drawers at the end of the day. When this fund was counted on November 3, 2017, the balance was \$133. TCB did maintain a log to support the amount of this fund.
 - TCB retained five (5) one hundred dollar bills in the safe applicable to a cash payment taken in on a manual receipt on Friday, June 23, 2017. According to the TCB personnel, the funds were applicable to an end-of-day payment that was placed in the safe with the manual receipt slip. On the following Monday, the staff retrieved the cash from the safe but the manual receipt slip was unavailable. Consequently, with no other record of the payee and/or the applicable parcel number to apply the payment against, the funds remained in the safe.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Cash – Bank Analysis (Continued)

- R2. Management should take the necessary steps to deposit the funds into an appropriate account until a permanent resolution can be determined.
- F3. Through inquiry and testing it was disclosed that, on occasion, checks affiliated with the Credit Card bank account were pre-signed by the Director prior to issuance when planned absences were known.
- R3. The process of pre-signing any disbursement check inherently circumvents its intended control. As such, this practice should be ceased. Instead, when the primary signer of an account is not available, the creator of the check should present the check, along with all the supporting documentation to one of the other signers of the applicable bank account. Prior to signing, the authorized signer should review all aspects of the disbursement to ensure appropriateness of the applicable disbursement.

Auditee's Response:

- F1. The Office Manager will be going through each sale year to identify the source of the unknown account balances. In order to not add to the unknown funds, a new bank account was opened starting for 2017 tax sales.
- F2. Bullet 1: The Tax Claim over/under fund was deposited into Lawson on 2/6/2019.
- F2. Bullet 2: The five (5) one hundred dollar bills were deposited on 1/31/2019 into Miscellaneous account.
- F3. As of August of 2017 checks associated with our credit card account are only signed on the day that the check is prepared.

Receipts Analysis

As a part of the audit, we reviewed a sample of the daily receipts to determine whether funds, including credit card transactions, were properly recorded and deposited intact and in a timely manner. The analysis also included a verification of sequential numbering of receipt slips, the documentation captured on voided receipts and whether TCB timely addressed NSF check notifications.

- F1. At the request of the Director, the staff periodically destroyed original receipt slips and Batch Listing Reports supporting the daily deposits without regard to the requirements stated in the *County Records Manual* issued by the Pennsylvania Historical and Museum Commission Bureau. Consequently, the first six (6) months of these receipt records were not available for review. This condition was not in compliance with Section FN-15 (Daily Cash Records) of the *County Records Manual*, which requires these documents to be retained for at least three (3) years. Furthermore, given the conditions discussed in the Computer Environment Analysis section, the absence of original receipt documentation and

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Receipts Analysis (Continued)

Batch Listing Reports made the corroboration of voided receipt transactions to deposit amounts difficult to confirm. When the records were available for review, TCB did not maintain a complete sequential receipt slip file, which would have included copies of all receipts regardless of status (issued or voided).

- R1. Management should take the necessary steps to ensure that destruction of records is predicated on guidelines stated in the *County Records Manual*. Additionally, until the control deficiencies over the receipt slip changes are adequately tracked through the Devnet software, TCB should maintain a complete sequential receipt slip file. This file should include, but not be limited to, documentation to support the reasons for changes as well as supervisory approval.
- F2. As a part of the analysis, the information printed on the computerized receipt slip was reviewed for completeness and accuracy. This assessment revealed that the printed receipt slip did not indicate the transaction time or method of payment (mail, over-the-counter or electronic). In addition, if the "Change" feature was utilized by TCB, the receipt slip would not display the actual cash received and the change provided to the taxpayer.
- R2. In order to provide management with the necessary tools to adequately monitor the daily receipt transactions and any subsequent changes, these identified fields should be added to the printed receipt slip, which should be maintained in a sequential receipt file.
- F3. As discussed, the Devnet software did not provide an Audit Trail Report, which would have been reviewed had it been available. However, since one was not, the testing of voided receipts was limited to only the voided receipts that had printed original receipt slips available for review and comments entered on the parcel notes screen in the Devnet software. A review of the voided receipt slips disclosed the following:
- Not all voided receipt slips were supported by printed original versions.
 - When the original version was retained, the following was noted:
 - The original receipt slip was not always marked "VOID" and/or cross-referenced to the replacement receipt slip number when applicable.
 - The reason for the void was not consistently documented.
 - The voided receipt slip was not initialed by the employee who processed the void nor was it initialed/signed by management that the change was reviewed for validity.
- R3. Management should take immediate steps to review the current procedure to ensure that all conditions noted in the finding have been rectified.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Receipts Analysis (Continued)

- F4. At times, TCB issued manual receipt slips when the Devnet software was not operational. A review of TCB's controls over this process resulted in the following conditions:
- The manual receipt slips utilized were not preprinted with a sequential receipt number. This condition resulted in a lack of control over the collections taken in on manual receipt slips. Consequently, the auditors were unable to determine whether all payments recorded on manual receipt slips were ultimately deposited.
 - TCB did not make it a practice to cross-reference the manual receipt slip number to the computerized receipt slip generated in the Devnet software.
- R4. Management should implement procedures that would include the use of only preprinted, pre-numbered manual receipt slips. In order to ensure accountability and timely processing over all manual receipts, a manual receipt log should be utilized and monitored by an employee separate from the daily receipting process. Finally, once the manual receipt payment information has been entered into Devnet, the manual receipt slip number should be cross-referenced on the computerized receipt slip and vice versa.
- F5. A random sample of NSF checks disclosed that TCB did not follow their policy to decline a personal check after a taxpayer passed a NSF check in 80% of the ten (10) applicable adjustments examined.
- R5. Management should institute procedures to place a flag on the applicable parcel in the Devnet software immediately upon notification of a NSF check to alert users that all future payments applied against that parcel should only be in the form of cash or certified check.

Auditee's Response:

- F1. The Tax Claim is once again following the county's record retention policy for receipts.
- F2. The Tax Claim is actively working with the vendor to create a method of payment field on our receipts and for the "Change" feature to be activated and tested.
- F3. The Tax Claim is actively working with the vendor to create an audit trail.
- F3. Bullet 1: TCB procedure is to print our original receipts before voiding a payment.
- F3. Bullet 2-1: It is Tax Claim's policy to mark on a void receipt that it has been voided. This process has been reviewed with the Tax Claim staff.
- F3. Bullet 2-2: It is now the Tax Claim policy to mark the reason of a void on the original receipt. This process has been reviewed with the Tax Claim staff.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Receipts Analysis (Continued)

- F3. Bullet 2-3: It is now the Tax Claim policy to initial the void on the original receipt. This process has been reviewed with the Tax Claim staff.
- F4. Bullet 1: All manual receipts now have sequential receipt numbers.
- F4. Bullet 2: Manual receipt log now has a place for Devnet receipt number to make sure each manual receipt is entered into Devnet.
- F5. The Tax Claim is actively working with the vendor to create a flag system to add important alerts to parcels.

Monthly Receipts and Distribution Analysis

As a part of the audit, TCB's monthly distribution procedures were reviewed to determine if collections in a given month were (1) properly and accurately distributed to the appropriate taxing districts in the subsequent month and (2) properly accounted for in the agency fund account titled *Due to Other Governments* established in the Infor Lawson software's accounting records.

- F1. Since TCB's delinquent real estate tax collections are distributed among many taxing districts, the initial deposit of these funds was posted to a separate agency fund account specifically established for this department as *Due to Other Governments*. Through inquiry and discussion, it was determined that management did not perform a monthly reconciliation of the collections processed and distributions reported in the applicable Devnet software reports to the debit and credit transactions processed through the *Due to Other Governments* account. Consequently, a review of the account balance as of July 31, 2017 disclosed that the account was overstated by an estimated \$850,000 due to an accumulation of unreconciled collections.
- R1. Management should identify the source of the overstatement then work with the Controller's Office to process the necessary journal entries to rectify the account balance. Furthermore, management should task an employee with the responsibility to implement procedures to ensure that collections and distributions stated in the Devnet software reports are reconciled monthly to the debit and credit transactions posted to the *Due to Other Governments* account in the Infor Lawson software.
- F2. While performing a comparison of certain Devnet software collection reports to the resulting distributions reports, it was revealed that the Collection Summary Report was not in agreement with the amount reported on the Collection Detail Report, which was run for the same time period.
- R2. Management should work with the Devnet software vendor to identify and correct all discrepancies between these two (2) reports. Once these reports have been fixed, TCB should incorporate them in their monthly distribution receipt and subsequent disbursement reconciliation.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Monthly Receipts and Distribution Analysis (Continued)

- F3. Through observation and discussions, it was noted that the Devnet software was not adequately designed to properly capture collections posted to tax parcels that resided in the North Penn School District. Consequently, the amount of collections and applicable distributions were manually calculated by the Senior Accountant.
- R3. Management should submit a program change request to amend the existing program in order to capture all taxing districts' transactions including North Penn School District. Implementation of this recommendation will eliminate the need for manual calculation and thereby, reducing the risk of error.

Auditee's Response:

- F1. The Tax Claim is currently preparing to review the account balance to reconcile our *Due to Other Governments* account, and will process all necessary journal entries. Once reconciled, a procedure to reconcile monthly will be implemented.
- F2. The Tax Claim is actively working with the vendor to determine why these reports do not match.
- F3. The Tax Claim is actively working with the vendor to create a school district within Devnet for North Penn.

Property Sales Analysis

In order to determine that TCB was in compliance with the *PA Real Estate Tax Law*, an analysis of lien tax parcels was performed. The examination included, but was not limited to, parcels that entered into Agreements to Stay Sale, declared bankruptcies, and/or were sold as a result of continued non-payment of the delinquent real estate taxes.

- F1. The analysis of TCB's compliance to the *PA Real Estate Tax Law, Article VI, Section 603* disclosed the following instances when proper procedures were not followed to remove a property from the sale list:
- A review of the 2016 sold property lists disclosed six (6) parcel sales that were subsequently voided by TCB due to subsequent discovery of noncompliance to the required sale procedures and four (4) property sales that were voided at the request of the buyer without required court stipulations.
 - One (1) taxpayer was incorrectly afforded the opportunity to enter into an Agreement to Stay Sale even though the time lapse of the taxpayer's prior default agreement had not exceeded the three (3) year requirement.
 - One (1) taxpayer was allowed to enter into an Agreement to Stay Sale for a single year's delinquent real estate taxes even though the law required the agreement to include all years of unpaid balances.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Property Sales Analysis (Continued)

- R1. It is management's responsibility to establish procedures to promote adherence to all aspects of the *PA Real Estate Tax Law*. As such, current processes should be reviewed and, if necessary, updated to ensure compliance to the law. Furthermore, established procedures should be periodically monitored by management personnel to verify continued compliance.
- F2. An analysis of the 2016 property sales, which included the Upset, Judicial and Repository sales, disclosed that funds received at the November Upset and December Judicial sales were neither receipted into the Devnet software nor deposited into the Sale bank account in a timely manner. On two (2) occasions, the deposits were not made until a week later.
- R2. In an effort to provide sufficient control over all payments received by TCB, management should implement procedures to ensure that all funds, regardless of the source, be receipted into the Devnet software and deposited into the applicable bank account on the day received or by the next business day.
- F3. TCB did not have formal procedures in place regarding the issuance of late and default notices or when to declare Agreements to Stay Sale as defaulted agreements. Further, although the software generated the agreements, it did not provide management with an aging report to identify taxpayers that were overdue on making the agreed-upon payments. Consequently, this process was manually performed by the staff when time permitted, which often resulted in the untimely issuance of notices and default letters.
- R3. Management is responsible to ensure that processes are in place to assure compliance with the *PA Real Estate Tax Law*. Absent assistance from the Devnet software, a tickler file should be implemented to identify and track parcel payment activity specific to those taxpayers who have signed Agreements to Stay Sale.
- F4. As a result of the Devnet software's inability to adequately track distributions made from the sale of properties, TCB tracked both the proceeds from the sale and subsequent distributions of each sold property outside the software in spreadsheets maintained in Excel. This manual process was not only inefficient but increased the risk of clerical errors that would have been avoided with appropriate programming. As a consequence, the testing of remaining balances identified one (1) instance where the posting of the sale proceeds amount was understated on the parcel accounting spreadsheet, which understated the parcel's undistributed balance by \$1,000.
- R4. Management should work with the Devnet software vendor to provide enhancement requests that would accommodate the tracking of property sale proceeds and the applicable distributions.

Auditee's Response:

- F1. Bullet 1: As of September of 2017, no Tax Sale is void or set aside without a signed order of the court, unless a parcel is sold in error.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Property Sales Analysis (Continued)

- F1. Bullet 2: The Tax Claim tries to the best of our ability to only offer agreements to eligible parcel owners. Actively working with the vendor to create and add a flag system allowing us to easily mark defaulted agreements.
- F1. Bullet 3: As of August of 2017, to enter a payment plan a parcel owner must agree to pay all years of unpaid balances as required by law.
- F2. As of September of 2017, sale deposits are made as soon as the sale payments are completed usually the day of the sale.
- F3. As of August 2017, agreements are manually checked by the Senior Accountant monthly to insure that all agreements are defaulted in a timely manner.
- F4. Actively working with the vendor to create an option within the system to manage sold property balances.

Adjustment Analysis

Included within the Devnet software was the ability to make changes to liened parcels' outstanding balance amounts (delinquent real estate taxes to be collected). As a part of the audit, a sample of these adjustments were reviewed for appropriateness as well as the controls placed over these transactions.

- F1. Throughout a year, TCB received credit interim adjustments from the County's Board of Assessment pertaining to deleted mobile homes. The credits were specific to a tax levy year(s) and amount for each year(s) and represented the official document to reduce the amount of real estate and/or school taxes assessed to a parcel. Through testing and inquiry, it was determined that adjustments were processed to not only reflect the amount of the credit interim adjustments but also to remove any additional remaining outstanding balances applicable to the deleted mobile home parcels. Consequently, TCB was reducing the entire outstanding balance even when the official documentation from the Board of Assessment did not support this. This practice was consistently performed and resulted in the potential loss of revenue to the County, municipalities and school districts. Furthermore, TCB did not have written approval from any of the taxing districts to support this procedure.
- R1. Management should take the necessary steps to obtain official approval of this practice from all affected taxing districts but only after the legality has been verified.
- F2. Through discussion with management, it was determined that a procedure was not established to address non-compliance by a tax collector when filing liens with TCB. Consequently, fourteen (14) parcels reported as liened by a tax collector in January 2017 were not entered into the Devnet software due to an unresolved file format condition. The effect of this issue on the County's portion of the delinquent tax receivable amount was \$5,331.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Adjustment Analysis (Continued)

- R2. Management should work with TCB's solicitor and the division leader to establish a formal, escalation procedure to address non-compliance by tax collectors when filing liens. As a further suggestion, this process should be clearly communicated in the Tax Collector Compensation Agreement signed with the County.
- F3. Through inquiry, it was noted that under payments of \$5 or less were removed (adjusted off) from the parcel's outstanding balance whereas over payments of these same amounts were not refunded to the payee. Further discussions revealed that no written directive was established authorizing TCB to handle these shortages and overages in this manner.
- R3. Although this procedure may be practical, it should be formally approved by the appropriate management in each taxing district. If approved, management should contact the Controller's Office for guidance regarding the transferring of overage amounts out of the *Due to Other Governments* account.

Auditee's Response:

- F1. The Tax Claim is waiting on formal approval and guidance regarding deleted mobile home credits.
- F2. The Tax Claim Bureau is willing to work with Finance to suggest possible enforcement of policies.
- F3. The Tax Claim is waiting on guidance from County management.

Payroll Analysis

As a part of the audit, we reviewed the payroll procedures and a sample of the Final Timesheets (timesheets) as captured in the Infor Lawson software that were submitted to the County to determine whether TCB maintained adequate documentation to support the hours and coding reflected on the timesheets and whether the documentation and procedures were in compliance with applicable policies. The specific payroll documents prepared and maintained by TCB included (1) Request for Time Off Forms, (2) Employee Payroll Time Record Forms and (3) Summary Payroll Forms.

- F1. The payroll testing included a comparison of a random sample of timesheets to the Employee Payroll Time Record Forms and the Summary Payroll Forms, the latter of which was prepared by the Director and used as the basis for the weekly payroll time entries into the Infor Lawson software. This analysis disclosed the following conditions:
- At the time of the fieldwork, the detailed payroll attendance and time records were not available for review for the first quarter of 2016. This procedure was not in compliance with Section PL-16 (Time Cards/ Attendance Records) of the *County Records Manual*, which required these documents to be retained for at least three (3) years.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Payroll Analysis (Continued)

- Management did not require one (1) non-union, hourly employee to complete an Employee Payroll Time Record Form because according to the employee, the Director considered the employee to be in a quasi-management position. In turn, this employee was not compensated for overtime/compensatory time worked. This practice was not in compliance with the Overtime and Compensatory Time section of the *Human Resources Handbook for Non Union Employees* and the *Fair Labor Standards Act*.
 - The Employee Payroll Time Record Forms were not always properly completed.
 - Although the Summary Payroll Forms were used as the basis for the payroll hours and coding entered into the Infor Lawson software, the forms were not always completed and/or properly completed.
 - Due to the design of the Request for Time Off Form, an employee's intention to use either sick or compensatory time was not clearly defined. Moreover, this form did not require an employee's signature nor the date of management's approval of the request.
 - Management did not require employees to submit documentation/justification to support compensatory time earned or overtime that was entered on the timesheets.
- R1. Management is responsible to (1) ensure that accurate payroll documentation is maintained to support the hours and coding stated on the timesheets and (2) ensure that employees are paid in compliance with the applicable union contracts, the *Human Resources Handbook for Non Union Employees* and the *Fair Labor Standards Act*. Additionally, management should be reminded of the importance of adhering to all applicable sections of the *County Records Manual*. Finally, the Request for Time Off Form should be revised to clarify the specific type of time requested and to provide for the employee's signature as well as the date of management's approval.
- F2. The testing included a verification of employees' work schedules including the duration of lunch periods and applicable breaks. This review identified two (2) employees that were over compensated due to the following reasons:
- A per diem employee's work schedule included a half hour **paid** lunch period.
 - A non-union employee's work schedule included a fifteen (15) minute **paid** break.

Based on the applicable employees' attendance records, the estimated amount of these overpayments for the period ended July 31, 2017 and the year ended December 31, 2016 was \$1,400 and \$2,350, respectively.

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REPORT TO MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Payroll Analysis (Continued)

- R2. Management is responsible to monitor and verify that employees' are working the hours required for the positions and are in compliance with the *Human Resources Handbook for Non Union Employees* as well as applicable union contracts.
- F3. In discussions with management it was revealed that one (1) hour of compensatory time each day was common among the Coordinator positions during 2016 due to the established work schedule start times not being staggered to compensate for the hours of operations.
- R3. In an effort to reduce payroll expenditures, management should revamp the Coordinators' work schedules to better meet the coverage that is needed during TCB's operating hours.

Auditee's Response:

- F1. Bullet 1: Payroll records are now kept for the required amount of time of 3 years.
- F1. Bullet 2: All Non-union hourly Tax Claim employees now complete a payroll time record weekly.
- F1. Bullet 3: A properly completed time record form was provided to each member of the staff to use as a guide when completing payroll forms.
- F1. Bullet 4: Payroll summary forms are completed fully each pay period.
- F1. Bullet 5: A new request off form has been designed and are currently being used, to include employee signature, management signature and date of signature.
- F1. Bullet 6: All hourly employees now submit documentation with their weekly payroll form if requesting compensatory time earned.
- F2. Bullet 1: Our per diem employee no longer receives a paid lunch break.
- F2. Bullet 2: Non Union employees' 15 minute break period has been eliminated.
- F3. The Tax Claim staggers the coordinator schedules when possible.

SUMMARY OF THE EXIT CONFERENCE

An exit conference was held on February 28, 2019. Those in attendance were:

Tax Claim Bureau

Barbara L. DiNoia, Director

Finance and Administration

David P. Boscola, Director of Finance and Administration

Commissioners' Office

Brian Hessenthaler, CPA, Chief Operating Officer

Controller's Office

Neale Dougherty, Controller
Kimberly S. Doran, CPA, Deputy Controller
Denise Rimby, CPA, Audit Supervisor
Amy Hall, Senior Auditor

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

COUNTY OF BUCKS ORGANIZATIONAL CHART

01/01/2019

