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

September 18, 2019

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

Re: Audit of Millie Seliga, Warrington Township Tax Collector

Dear Chairman Loughery:

Enclosed is the report for the audit of the Settlement of Duplicate for the Bucks County real estate taxes of the Warrington Township Tax Collector, Millie Seliga, for the tax year ended January 15, 2019. The January 15th date reflects the settlement date for the tax year included in the audit period. The section of the report titled Report to Management includes our findings and recommendations.

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

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

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

Sincerely,

Neale Dougherty
Bucks County Controller

19-09
ND/mkw

cc: Millie Seliga, Warrington Township Tax Collector
Brian Hessenthaler, CPA, Chief Operating Officer, Commissioners' Office, County of Bucks
David P. Boscola, Director, Finance Department, County of Bucks

COUNTY OF BUCKS

MILLIE SELIGA
WARRINGTON TOWNSHIP TAX COLLECTOR

For the Period
January 17, 2018 through January 15, 2019

County of Bucks
Millie Seliga
Warrington Township Tax Collector
For the Period January 17, 2018 through January 15, 2019

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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 Duplicate – cash basis, applicable to Bucks County (County) real estate taxes of the Warrington Township Tax Collector (Tax Collector), for the tax year ended January 15, 2019, and the related note to the Settlement of Duplicate.

Management's Responsibility for the Settlement of Duplicate

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

Auditors' Responsibility

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

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

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

Continued...

Opinion

In our opinion, the Settlement of Duplicate referred to in the first paragraph presents fairly, in all material respects, the total amount the Tax Collector is responsible to collect and the total amount reported by the Tax Collector, for the tax year ended January 15, 2019, in accordance with the cash basis of accounting as described in Note 1.D.

Emphasis of Matter and Basis of Accounting

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

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

Our opinion is not modified with respect to either matter.

Restriction on Use

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

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

September 5, 2019
19-09

County of Bucks
Warrington Township Tax Collector

Settlement of Duplicate
For the Tax Year Ended January 15, 2019
Tax Year 2018
(Cash Basis)

Amount the Tax Collector is Responsible to Collect

Amount to be Collected in Current Year:	
2018 Tax Year - Tax Duplicate	$ 8,739,556
2018 Tax Year - Interim Billings/Adjustments	53,444
2017 Tax Year - Interim Billings/Adjustments	22,000
2016 Tax Year - Interim Billings/Adjustments	313
Total Amount the Tax Collector is Responsible to Collect	$ 8,815,313

Amount Reported by Tax Collector

Amount Collected from Taxpayers as Reported to the County	$ 8,594,726	
Add: Discounts taken by Taxpayers	162,076	
Less: Penalties paid by Taxpayers	(16,200)	
Amount Collected at Face Value of Tax Bills		$ 8,740,602
Unpaid Taxes to be Liened as Reported to the County:		
2018 Tax Year - Tax Duplicate and Interim Billings/Adjustments	61,013	
2017 Tax Year - Interim Billings/Adjustments	2,022	
2016 Tax Year - Interim Billings/Adjustments	82	
Total Unpaid Taxes before Lien Removals	63,117	
Less: Lien Removals from January 16, 2019 to September 5, 2019	(-)	
Net Unpaid Taxes to be Liened as Reported to the County		63,117
Less: Refunds at Face Value made by Finance Department from January 17, 2018 to September 5, 2019		(-)
Total Non-Lienables Carried Forward:		
2018 Tax Year - Interim Billings/Adjustments		11,594
Total Amount Reported by Tax Collector		$ 8,815,313
Variance - Net Amount Under/(Over) Reported to the County		$ -

See Note to the Settlement of Duplicate.

NOTE TO THE SETTLEMENT OF DUPLICATE

1. Summary of Significant Accounting Policies

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

A. Nature of Operations

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

B. Reporting Entity

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

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, liened and non-lienable amounts reported by the Tax Collector.

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

D. Basis of Accounting

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

Continued...

NOTE TO THE SETTLEMENT OF DUPLICATE

1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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

E. Amount to be Collected

Upon successful settlement of a prior year duplicate, on February 1st of each year the County issues to the Tax Collector the current year's tax duplicate, which represents County real estate taxes to be collected. In addition to the tax 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 Tax Collector's banking institution are insured by the Federal Deposit Insurance Corporation; however, they are not 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 Duplicate represent the total tax duplicate plus and/or minus all applicable interim billings/adjustments issued for the period indicated.

H. Date of Management's Review

The Tax Collector has evaluated subsequent events through September 5, 2019, the date on which the Settlement of Duplicate was available to be issued. No events have taken place that affect the Settlement of Duplicate or require disclosure.

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COUNTY OF BUCKS

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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 Duplicate, for the tax year ended January 15, 2019, in accordance with U.S. generally accepted auditing standards, we considered the Tax Collector's internal control over the financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Settlement of Duplicate, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in F1. of the Internal Control section of the Report to Management to be a significant deficiency.

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

Continued…

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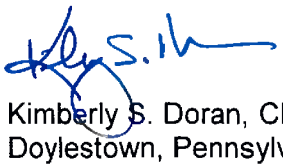

Kimberly S. Doran, CPA, Bucks County Deputy Controller
Doylestown, Pennsylvania

September 5, 2019
19-09

COVER LETTER

We have audited the Settlement of Duplicate, applicable to County real estate taxes of the Tax Collector, for the tax year ended January 15, 2019. 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 May 14, 2019. Professional standards also require that we communicate the following information related to our audit.

Audit Findings Overview

Qualitative Aspects of Accounting Practices

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with the Tax Collector

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

Representations from the Tax Collector

We have requested certain representations from the Tax Collector that are included in the management representation letter dated September 5, 2019.

Continued…

COVER LETTER

Purpose

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

Report Distribution

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.

FINDINGS AND RECOMMENDATIONS

Legend:

F – Finding

R – Recommendation

The Tax Collector's Office consisted of one (1) Tax Collector, one (1) Deputy Tax Collector and one (1) Assistant.

During our audit, we became aware of a significant deficiency in internal control that has been identified as such in the separate report titled "Report on Significant Deficiencies and Material Weaknesses" dated September 5, 2019. The Internal Control section of the Report to Management details the significant deficiency noted in the Tax Collector's control environment and our recommendation for improvement. The Report to Management does not affect our "Independent Auditors' Report" dated September 5, 2019, on the Tax Collector's Settlement of Duplicate.

Internal Control

A review of the internal control environment disclosed the following:

F1. Although the Tax Collector deputized an individual, it is our understanding that this procedure was solely for compliance to the *Local Tax Collection Law* and that the deputy performed no functions related to daily activities of the Tax Collector's Office during the audit period. Based on the preceding information, it was determined that the Tax Collector was responsible for all functions and transactions applicable to the collection of County real estate taxes.

R1. Although the small size of the office staff limits the extent of separation of duties, certain steps should be taken to separate incompatible duties. The basic premise to any internal control structure is that no one (1) individual should have access to both physical assets and the related accounting records or to all phases of a transaction.

Auditee's Response:

F1. It is duly noted that a segregation of duties is optimal. However, it is not attainable since I am solely responsible for all aspects of the tax collection process. I do have a system of checks and balances in place.

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...

FINDINGS AND RECOMMENDATIONS

Cash - Bank Analysis (Continued)

F1. A review of a sample of returned deposit items disclosed that the Tax Collector did not properly account for the repayment of one (1) tax payment that was initially paid by check in the discount collection period but was returned by the bank as having non-sufficient funds. Since the repayment was received in the face collection period, the appropriate tax payment amount should have included an additional $20, which represented the 2% discount that no longer applied.

In addition, the tax record was not adjusted to reflect the actual payment date, which was the date the replacement payment was received.

R1. The Tax Collector should be reminded of the importance of ensuring that the amount of the real estate tax payment is appropriate for the period in which it was collected. In accordance with Section X of the *Tax Collector's Manual*, "Acceptance of a check from a taxpayer is at most only a conditional payment of taxes; the taxes are not considered fully paid until the check has cleared." The Tax Collector should contact the Finance Department for clarification on the policy for handling checks returned for insufficient funds.

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

Auditee's Response:

F1. In addition, I have taken corrective measures to ensure that the proper amount of tax is always collected in the time period that applies-i.e. discount, face or penalty.

SUMMARY OF THE EXIT CONFERENCE

An exit conference was held on September 5, 2019. Those in attendance were:

Warrington Township Tax Office

Millie Seliga, Tax Collector

Controller's Office

Denise Rimby, CPA, Audit Supervisor

Eugene Lyall, Auditor

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