

*The County of Chester  
Office of the Controller  
Internal Audit Department*



*Management Letter*

*Tax Claim Bureau*

*For the year ended December 31, 2006*

*Valentino F. DiGiorgio*

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**Valentino F. DiGiorgio, III, Controller**

**To: Leslie Bair, Director**

**Introduction**

On May 2, 2007, Internal Audit completed an audit of the Tax Claim Bureau (*Bureau*) for the year ended December 31, 2006. This audit was conducted as a result of an audit risk re-assessment that occurred in August 2006. The existence of a department maintained checking account for the proceeds from upset/judicial sales was the primary basis for this review. Since County Code does not require an annual audit of this entity; Internal Audit will choose to examine this fund at its discretion.

There are no financial statements included within this Management Letter. All delinquent tax revenue is deposited into the County's Cash Concentration Account which is examined annually by the County's external auditors. Revenue resulting from upset/judicial sales is deposited into a separate checking account that is maintained by the *Bureau*. Statements of Assets and Liabilities and Cash Receipts, Disbursements, and Cash Balance were prepared for this account and are available upon request.

Gretchen W. Sohn, CIA, was the auditor-in-charge and was assisted by 1 additional auditor. The scope of our audit included a review of the following:

- Cash/Escrow Payable
- Petty Cash/Change Fund
- Cash Receipts
- Manual Receipts
- Cash Disbursements
- Voided Transactions
- Unclaimed Property.

**Executive Summary**

The management and staff of the *Bureau* are, in all material respects, in compliance with policies and procedures set forth by the County of Chester, the Commonwealth, and the *Bureau*.

Findings involving both the internal control structure and the compliance with policies and procedures are included in this Management Letter. Based on Internal Audit's testing and observations, it is our opinion that these deficiencies are not the result of negligence, but are instead the consequence of one or more of the following:

- Oversights
- Human error
- Unfamiliarity with proper accounting procedures.

Internal Audit would like to thank the management and staff of the *Bureau* for their cooperation and assistance during the course of this audit. We have provided herein a copy of our “Audit Findings” and “Recommendations” for your review and comment.

Please feel free to contact our office at (610) 344-6797 should you have any questions or concerns.

**COUNTY OF CHESTER**

**TAX CLAIM BUREAU**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

RECONCILIATION

Finding 1: Balance Sheet

When preparing the 12/31/06 balance sheet for the Upset/Judicial Sales account, Internal Audit noted that the assets were greater than the liabilities by \$902.47.

Recommendation

Internal Audit recommends that the Tax Claim Bureau research the difference. The liabilities (proceed balances on parcels sold at upset/judicial sales) should always equal the assets (cash in the bank account). A reconciliation of the cash and liabilities should be performed every month-end in conjunction with the bank reconciliation to ensure that the two always equal.

Auditee Response

See management's response on pages 8 – 9.

AUTHORIZATION

Finding 1: Inappropriate Use of Restricted Funds

Internal Audit noted the following:

- In 2 instances, checks were prepared from the Upset/Judicial Sales account to pay for law publications.

Recommendation

The monies held in the Upset/Judicial Sales account are restricted and cannot be used for anything other than costs associated with the distribution of the sale proceeds. Internal Audit recommends that a closer review of the checks and the back-up be performed when the prepared checks are presented to the Commissioners, the Treasurer, and the Controller for their signatures.

**COUNTY OF CHESTER**

**TAX CLAIM BUREAU**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

AUTHORIZATION (continued)

Finding 1: Inappropriate Use of Restricted Funds (continued)

Auditee Response

See management's response on pages 8 – 9.

RECORDKEEPING

Finding 1: Manual Receipts

Internal Audit noted the following:

- In 2 instances, manual receipt numbers were not issued in numerical sequence.

Recommendation

Internal Audit recommends that more care be exercised when issuing manual receipts to ensure that they are issued in numerical sequence.

Auditee Response

See management's response on pages 8 – 9.

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 1: Voided Manual Receipts

Internal Audit noted the following:

- In 2 instances, the manual receipt was not labeled "void".

**COUNTY OF CHESTER**

**TAX CLAIM BUREAU**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 1: Voided Manual Receipts (continued)

- In 1 instance, a manual receipt was labeled “void”, but wasn’t a void. The payment was applied.
- In 1 instance, the reason for the void was not noted on the manual receipt.

Recommendation

Internal Audit recommends that the staff adhere to proper voiding procedures. Each manual receipt and copy should be labeled “void” with the reason for the void notated. If a voided manual receipt is replaced, the replacement receipt number should be notated on the void and the voided number should be referenced on the replacement manual receipt.

Auditee Response

See management’s response on pages 8 – 9.

Finding 2: Voided Disbursements

Internal Audit noted the following:

- In 8 instances, the original check signature line was not defaced and/or cut out.
- In 6 instances, the replacement check number was not notated on the voided check.
- In 3 instances, the original check was labeled “void”, but the check copy was not.
- In 1 instance, the reason for the void was not notated on the check.

**COUNTY OF CHESTER**

**TAX CLAIM BUREAU**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**II. COMPLIANCE WITH POLICIES AND PROCEDURES**

Finding 2: Voided Disbursements (continued)

Recommendation

Internal Audit recommends that all voided checks and check copies be properly labeled as such with the reason for the void notated. Internal Audit also recommends that the signature line be defaced and/or cut out and the replacement check number be notated on the voided check.

Auditee Response

See management's response on pages 8 – 9.

Finding 3: Unclaimed Property

Internal Audit noted the following:

- In 1 instance, a check which was older than 3 years had not been voided and the funds redistributed to the respective taxing authority as dictated by the Real Estate Tax Sale Law.

Recommendation

Internal Audit recommends that as part of the monthly bank reconciliation, the outstanding checks be reviewed to ensure the timely voiding and redistribution of any checks at the 3 year mark.

Auditee Response

See management's response on pages 8 – 9.

**COUNTY OF CHESTER**

**TAX CLAIM BUREAU**

**SUMMARY OF EXIT CONFERENCE**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

An exit conference was waived for the audit of the Tax Claim Bureau. All findings were discussed at length at the Closing Conference. The responses by the Tax Claim Director to the audit findings and recommendations have been included in this Management Letter as pages 8 – 9.



# THE COUNTY OF CHESTER



## TAX CLAIM BUREAU

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LESLIE K. BAIR  
Tax Claim Director

May 24, 2007

Gretchen W. Sohn, CIA  
Senior Auditor  
County of Chester Office of the Controller  
Courthouse  
West Chester, PA 19380

In re: Findings and Recommendations for the Year Ended December 31, 2006 Audit

### INTERNAL AUDIT CONTROL FINDINGS AND RECOMMENDATIONS

#### 1. RECONCILIATION

##### AUDITEE RESPONSE:

**Admitted.**

A reconciliation of this account will be performed on a month-end basis in conjunction with the bank reconciliation to ensure that the two always equal. Bookkeeper will keep a binder for open and closed parcel distribution for balancing.

#### 2. AUTHORIZATION

##### AUDITEE RESPONSE:

**Admitted in part. Denied in part.**

Sales account in the future will not be used to pay for publications. Any purchase or pay will be taken from the concentration account, with the Directors pre-approval.

This was the instruction from the previous Sales Coordinator

#### 3. RECORD KEEPING

##### AUDITEE RESPONSE:

**Admitted in part. Denied in part.**

New receipt books have been ordered from Deluxe Printing and have been in use by Tax Claim as soon as the audit findings were released. The new books are in numerical sequence.

Tax Claim was never aware that receipt books had to be not only in numerical, but also in sequence.

### **COMPLIANCE WITH POLICIES AND PROCEDURES**

#### **1. VOIDED MANUAL RECEIPTS**

##### **AUDITEE RESPONSE:**

**Admitted in part. Denied in part.**

Whenever necessary, receipts will be properly voided. Director reminded staff to take their time when preparing receipts, to eliminate having to void.

#### **2. VOIDED DISBURSEMENTS**

##### **AUDITEE RESPONSE:**

**Admitted in part. Denied in part.**

Tax Claim had no knowledge of properly defacing checks.

Have since learned to properly deface and void checks. Corrections have been completed in all noted cases.

#### **3. UNCLAIMED CHECKS**

##### **AUDITEE RESPONSE:**

**Admitted in part. Denied in part.**

Tax Claim was in the process of training a new bookkeeper and was aware the checks had to be disbursed.

All outstanding unclaimed checks have been distributed according to the PA Real Estate Tax Law.

Prepared by: Pat Guy

Respectfully Submitted by:

  
Leslie K. Bair, Director