

January 2025

**Audit of the Erie County
Department of Real Property Tax Services
January 1, 2023, through December 31, 2023**



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January 24, 2025

Erie County Legislature
92 Franklin Street, 4th Floor
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Dear Honorable Members:

The Erie County Comptroller's Office has completed a performance audit of the tax collection process within the Erie County Department of Real Property Tax Services (RPTS) during the period spanning January 1, 2023, through December 31, 2023.

The Auditor's objectives were to determine (1) whether an adequate level of internal controls relating to the management of revenue and accounts receivable transactions existed for the systems and processes employed by the Department during the audit period; (2) whether documentation was accurate regarding revenue received from municipal collectors, including late payments, as well as amounts received directly from individual taxpayers; (3) whether recordkeeping practices maintained during the audit period were adequate and in compliance with applicable legal authority and policy; and (4) to evaluate the processes for internal and systems controls employed by the Department during the audit period concerning amounts received following the end of the applicable collection period.

The Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions described herein based on audit objectives.

The Division of Audit's responsibility is to express an opinion based on the facts obtained during the course of the audit. The Auditor conducted this audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS). Those standards require the Auditor to plan and perform the audit in a manner that is designed to obtain sufficient, appropriate evidence that will provide a reasonable basis for the results of the audit and present conclusions based on stated audit objectives. The Division of Audit believes that based on those objectives, the evidence obtained provides a reasonable basis for the results, findings, comments, and recommendations contained herein.

AUDITOR'S OPINION

In the Auditor's opinion, the internal controls governing the management of County tax revenue and accounts receivable transactions, supporting documentation, and recordkeeping practices of related transactions are not adequately designed or operating effectively. Many, but not all of the issues described herein can be attributed

to the inadequacy and inefficacy of the GOVERN system used by RPTS to perform the vast majority of its work. It is the Auditor's opinion that serious consideration should be given to replacing the current system.

The Auditor found issues relating to internal controls involving deficient policies and procedures, insufficient managerial review, and risk of fraud related to the security of financial assets and the reconciliation process that did not actually result in a loss of assets but created a significant risk of loss and will continue to do so until properly addressed. In addition, the Auditor found that GOVERN cannot interface with the County's accounting system and records are only reconciled manually once a year by a separate department, creating inefficiencies in multiple areas due to a combination of an inadequate system and a lack of written procedures.

No other specific issues adversely affecting procedures, internal controls, or compliance came to the Auditor's attention. The audit was conducted for the purposes described and would not necessarily reveal or disclose all instances of noncompliance with respect to other operational areas not within the scope of the audit.

It should be noted that in August 2023, RPTS hired a new Supervising Tax Accountant, who was familiar with the County's accounting system, and began implementing stronger internal controls, including procedures for performing bi-weekly reviews of transactions that increased the integrity of the GOVERN transaction process. The Auditor took measures to make that distinction throughout the report where applicable.

BACKGROUND

On January 12, 2024, the Erie County Comptroller's Office, Division of Audit issued an engagement letter to the Erie County Department of Real Property Tax Services (RPTS) regarding the Auditor's intent to audit the processes and internal controls surrounding various components of the annual property tax collection process. After a preliminary meeting with the Auditee, it was determined that the scope of the audit would involve an examination of seven selected revenue accounts concerning (1) real property taxes, (2) exemption removal revenue, (3) acquisition, (4) revenue from "payment in lieu of taxes" (PILOT) agreements, (5) interest and penalties, (6) omitted taxes, and (7) revenue adjustments.

In terms of revenue generation, RPTS is one of Erie County's most critically important administrative divisions. In total, RPTS is responsible for collecting amounts equivalent to approximately 15% of Erie County's annual budget. The Department also performs a host of other services, distributed across three subdivisions: the (1) Division of Collection, the (2) Division of Preparation and Administration, and the (3) Division of Mapping and Title Search.

RPTS did not always perform the duties that it does today. RPTS was established out of a 1988 local law as the "Division of Real Property Tax." This local law was the second of several pieces of legislation causing the eventual abolition of the Erie County Department of Finance. In response, the County Legislature distributed the powers and responsibilities of the Finance Commissioner among the Division of Budget, Office of Comptroller, and RPTS. In 2006, the Commissioner of Finance position was abolished altogether.

RPTS is led by a Director appointed by the Erie County Executive and confirmed by the County Legislature. Unlike most other County appointees, the New York State Department of Taxation and Finance requires the Director to meet certain education and experience-based prerequisites in order to serve in that capacity. Per the Erie County Charter, RPTS "perform[s] all duties in relation to the administration and collection of taxes heretofore performed by a County Treasurer or Commissioner of Finance." During the transition, RPTS obtained extension and issuance responsibilities from the Clerk of the Erie County Legislature. The Director is meant to serve as record keeper for real property transfers and advisor to local assessors for cities, towns, and villages

across Erie County. The Director must also submit equalization rates to the County Executive and issue interpretive reports to the County Executive and Legislature as required.

In practice, RPTS is fundamentally responsible for collecting property taxes from local governments which have already collected the County levy themselves alongside their local levy. RPTS collects the County portion of property taxes from City of Buffalo taxpayers directly. Furthermore, RPTS must hold an annual *in rem* auction to sell properties obtained through the foreclosure process to satisfy property tax debts.

Since 2020, RPTS has made significant procedural changes to its operational processes. In 2020, the County's external auditor found a system lacking any formal written policies for completing the Department's work or internal succession planning. RPTS has long used the GOVERN system to process tax collections. While GOVERN is compatible with myriad software systems used by local governments in Erie County, it does not reconcile or interface directly with the County's accounting system. Cashiers are responsible for collecting payments and ensuring that necessary information is recorded in the GOVERN system. However, the lack of direct connection between recording and accounting systems required one of RPTS' cashiers to generate reports in GOVERN, which a Supervising Accountant would then enter into the County's accounting system on a daily basis. No other RPTS employees had access to the County's accounting system until 2022. However, even then, the external auditor noted that RPTS employees who were granted access to the accounting system were ill-equipped to use it effectively.

The external auditor also noted internal control issues. In 2020, entries submitted into the County's accounting system by a Supervising Accountant were not reviewed internally in RPTS and were only subject to review by the Cash Management Unit within the Erie County Comptroller's Office. Some changes were implemented in 2021, where one of RPTS' Tax Accountants processed changes to tax bills and amounts in arrears and the Supervising Accountant would review such changes. However, there were no formal signoffs involved, and the external auditor recommended several options, involving approval by the Director. Other changes were made to tax bill printing and return interest policies.

Prior to 2023, RPTS began leaning heavily on other County departments to complete accounting tasks, in part because RPTS employees were generally unfamiliar with the County's accounting system and were unable to utilize it efficiently given the volume of daily transactions. Prior to 2022, RPTS was forwarding the majority of data necessary to satisfy accounting obligations to the Accounting Division within the Comptroller's Office; chargeback invoices were sent to the Division of Budget. By 2022, numerous employees had access to the County's accounting system. Nevertheless, GOVERN collection reports and chargeback invoices were being forwarded to the County's Budget Director, who had extensive knowledge of the County's accounting system and would input all necessary information therein. Other systemic changes were implemented or are in the process thereof. Chief among them was a new explanation requirement for adjustments in GOVERN. Others included changes to corporate taxpayer transactions, late notices, cashier collection and process adjustments, and daily reports.

Objective

The primary audit objective involved an evaluation of internal controls within RPTS regarding the management of revenue transactions and evaluating the effectiveness, efficiency, and compliance of the Department with established policies, procedures, guidelines, and other applicable authority. Other objectives included the testing and evaluation of documentation, recordkeeping practices, timeliness, completeness, and system controls relating to accounts receivable by Erie County from municipalities and individual taxpayers, including those occurring after applicable deadlines.

Methodology

To satisfy the objectives within the audit scope, the Auditor obtained Internal and System Control Questionnaires (ISCQ) from RPTS, the Division of Budget and Management and the Division of Accounting within the Comptroller's Office to establish a baseline for testing. To determine the population and sample size for each test performed concerning the procedures for processing cash receipt transactions, adjustment transactions, refund transactions, reversal transactions, and PILOT payments; handling omitted taxes, executing electronic file transfers, and reviewing internal controls, the Auditor performed the following tests:

1. Because each population was less than 30, the Auditor determined that the entire population of tax warrants, levy approval letters, legislative approvals, tax abstract, village resolutions, and settlement statements would need to be tested for compliance with Erie County Tax Act (ECTA).
2. The Auditor determined the entire population of cash receipts to be 248 working days during the audit period of January 1, 2023, through December 31, 2023. For the purposes of testing accuracy, completeness and timeliness, the Auditor selected a random sample of 57 days necessary to reach a 95% confidence level with a 5% rate of error.
3. The Auditor determined that it was necessary to test adjustment transactions for completeness and authorization. The entire population for the purpose of evaluating the processing of adjustments for accuracy and reasonableness was 9,262. From the total population, the auditor selected a random sample of 73 adjustments necessary to reach a 95% confidence level with a 5% rate of error.
4. The Auditor determined that it was necessary to test the refund transactions for accuracy, proper approvals and to verify that the refund was processed in the County's accounting system. The entire population for the purpose of evaluating the processing of refund transactions for accuracy and reasonableness was 776. From the total population, the Auditor selected a random sample of 67 refunds necessary to reach a 95% confidence level with a 5% rate of error.
5. The Auditor determined that it was necessary to test the reversal transactions for accuracy and compliance. The entire population for the purpose of evaluating the processing of reversal transactions was 537. From the total population, the Auditor selected a random sample of 65 reversals necessary to reach a 95% confidence level with a 5% rate of error.
6. The Auditor determined that it was necessary to test the PILOT agreement payments for reconciliation to GOVERN and the County's accounting system. The entire population for the purpose of evaluating the processing of PILOT agreements was 176. From the total population, the Auditor selected a random sample of 52 PILOTs necessary to reach a 95% confidence level with a 5% rate of error. An additional 10 PILOTs pertaining to affordable housing and solar projects were added to the sample for testing.
7. The Auditor determined that it was necessary to test the access rights and permissions for all GOVERN users.
8. The Auditor determined that it was necessary to test the internal controls and continuity of the bags provided by Loomis, the County's contracted armored car service, that were used for the entire audit period. Because determining continuity required the Auditor to confirm an unbroken sequence, the entire population of 2023 logs were tested.

9. The Auditor determined that it was necessary to verify that the amount contained in the General Ledger (GL) Account in the County's accounting system for omitted taxes was supported by local assessment documentation and corresponded to the tax levy.

To complete this testing, the following specific actions were taken:

- The Auditor examined the approval request letter from the Erie County Executive to the Legislature, the memorandum of RPTS, and the legislative approval resolutions for compliance with applicable law and policy;
- The Auditor examined the 2023 Settlement Statements to verify that the statements matched warrants approved by the Erie County Legislature and equaled the total stated in the tax abstract, that payments were received and matched amounts stated, that payments were posted in the County's accounting system and supported by adequate supporting documentation, and that the statements themselves complied with ECTA;
- The Auditor verified that GOVERN PILOT amounts billed directly by Erie County matched the amount approved by the Erie County Legislature according to the payment schedule described in the specific taxpayer's agreement, that the appropriate amount was recorded in the proper GL account, and that supporting documentation was included. For the solar project and affordable housing PILOTs, documentation was reviewed to confirm an agreement exists, and that legislative approval was obtained. However, the Auditor tested whether one such PILOT payment was posted to the County's accounting system because billing for the remainder did not begin until 2024 or 2025;
- Omitted Taxes, which pertain to, among other things, changes in ownership that result in the removal of a tax exemption, were verified and reconciled to supporting documentation and the tax levy;
- The Auditor reconciled and verified the accuracy of the manual calculation of the year-end adjusting entry recorded by the Division of Budget and Management using the Property Tax Revenue Adjustment and RPTS Interest & Penalties GL accounts;
- GOVERN access levels were reviewed as applied to particular transactions within GOVERN, and controls over those access rights;
- To test internal controls regarding cash deposits, the Auditor reviewed Loomis logs used by RPTS in 2023. Logs were reviewed sequentially to verify that all bags were accounted for;
- All GOVERN transactions for 2023 were evaluated by comparing the RPTS employee user ID processing the transaction to all transactions having the same or secondary owner name. This was done to ensure that no transactions were done by RPTS employees to their own property;
- The Auditor evaluated the sample of adjustments for accuracy and compliance. All sampled adjustments were reviewed for supporting documentation and reconciled;
- The supporting documentation for sampled refund transactions was evaluated for accuracy and approval. The Auditor verifies that each sampled refund was processed in the County's accounting system;

- The Auditor tested the sampled reversals for accuracy and compliance through supporting documentation. The documentation was reviewed for amounts, ACH support if applicable, and managerial approval and deposit verification;
- The Auditor tested the sampled cash receipts for accuracy and compliance through supporting documentation generated during the ordinary course of business. The documentation was reviewed for proper processing in GOVERN, completion and compliance regarding entry into the County's accounting system, adequate managerial review and proper deposit in the correct bank account.

FINDINGS:

Finding #1: Physical security measures and Loomis Logs are not adequately maintained to preserve internal control over cash deposits.

The Auditor found that Loomis logs and bags used by RPTS to facilitate the deposit of cash receipts are insufficiently controlled. The Auditor also noted a number of structural security gaps which, if exploited, could have led to potential fraud. While the Auditor found no indication that any tax payments made by cash were lost, stolen, or misappropriated, the controls over the logs and the deposit bags are inadequate to minimize the risk of loss or theft. During the audit period, RPTS did not account for bag numbers that were missing, skipped, discarded, or defective – either on the general log or separately.

Finding #1a: Security infrastructure is insufficient to conclusively prevent fraud.

During the walkthrough, the Auditor noted multiple shortcomings related to the physical security measures used by RPTS to protect financial assets. In a meeting with the Auditee, the Auditor discussed the placement of security infrastructure in the department and protocols currently in place, as well as the need for updates, additions and adjustments to address specific deficiencies. Due to the confidential nature of the subject matter of this discussion, the full recommendation cannot be disclosed in the report.

Finding #1b: Practices relating to physical cash deposits lack written policies and internal controls.

During fieldwork, the Auditor reviewed the Loomis logs utilized by RPTS in 2023 and found that the bags used for cash deposits, which are delivered by Loomis to clients individually numbered and labeled sequentially, were not logged as such. Per the Erie County Internal Controls Policy, failing to maintain a sequential log of bags used heightens the risk that Erie County assets could be diverted or become otherwise unaccounted for. This risk is especially great given the liquidity of cash and the trust placed in RPTS to ensure that property tax payments are arriving at their intended destination.

Each cashier has their own drawer, deposit tickets, and bags to use in processing the day's transactions. Each day, the cashier counts cash received, verifies the amount counted against the GOVERN report, assembles supporting documentation, places the deposit in the Loomis bag, and notes the bag number on the deposit ticket. The cashier remits the documentation to a Supervising Accountant, who reconciles the amounts on the deposit ticket to the GOVERN report along with the check and credit card report before preparing an entry in the County's accounting system. Theoretically, the Comptroller's Cash Management Unit would be able to note cash shortages when posting the entry for that day in the County's accounting system. However, neither RPTS nor the Comptroller's Accounting Division have written guidance in place concerning cash discrepancies.

Bags are picked up by agents of Loomis each day, meaning that each pickup will include cash taken in by RPTS the previous day. However, the Auditor found that the Loomis pickups include bags containing cash receipts from other County departments. Those departments will deliver their bags to the RPTS office and enter the relevant data on the Loomis log therein. The Auditee informed the Auditor that RPTS was not responsible for bags left in the RPTS office by other departments. While there is no written policy in this area, the practice described presents a significant chain of custody issue, which is critical to the integrity of the deposit process and creates a substantial risk of loss for liquid County assets.

Recommendation:

The Auditor recommends that RPTS develop a written policy providing for comprehensive accounting of Loomis bags within the department. RPTS should involve the Comptroller's Office in this process to ensure departmental policy does not conflict with any countywide policies. The simplest method would be for RPTS to use sequentially numbered logs which correspond to the bags on premise. Loomis bags that are missing, skipped, discarded, or defective should be tracked on a separate log and initialed by the person handling each Loomis bag. This would allow RPTS to improve control over the bags they have by increasing visibility of disruptions of sequence, thus increasing the likelihood that any potential loss will be noticed and addressed quickly. In the alternative, RPTS should, at minimum, maintain a separate log containing bags not used for one reason or another and include comment regarding what became of each such bag and the reason it was not used. A second employee should verify entries made for unused bags.

The Auditor further recommends that RPTS management assign series of bags to specific cashiers and remain diligent in keeping tabs on which series of sequential bags are being used by each cashier. Management or a designated supervisor should also conduct a regular periodic review of logs to ensure that departmental procedures pertaining to cash deposits and Loomis logs are being adhered to.

The Auditor also recommends that the Comptroller's Office, Accounting Division promptly initiate a conversation with the Division of Budget and Management, RPTS, and other County departments that leave deposit bags in the RPTS office for the purpose of creating a mutually agreeable policy and a corresponding set of written procedures. The lack of universal County policy providing for the treatment of physical cash deposits has created a vacuum resulting in the ad hoc practices that the Auditor found here. RPTS has no obligation to accept Loomis bags from other departments. However, once accepted, disclaiming responsibility for the deposits of other departments does not make RPTS any less responsible for those deposits. Representatives of other departments who deliver Loomis bags to RPTS enter that information into a log. Should another department's deposits be misplaced after the log entry was made, RPTS would be held responsible for the loss. Thus, if the County has decided that RPTS is going to be a central pickup point for Loomis, then a detailed written procedure is essential.

Finding #2: User rights within GOVERN are not well defined and are not regularly reviewed.

According to the GOVERN manual, settings in the system can be set by computer or by user; RPTS selected the latter. To set parameters in GOVERN on a user-by-user basis, the "Super User" at the written request of an Administrator can prescribe permissions and access levels for each individual tailored to their specific job duties and operational needs. The Division of Information and Support Services (DISS) confirms all changes to permissions with the Supervising Tax Accountant.

There were four employee Administrators during the audit period, each of whom received full access to all system functions and data. Eleven employees had user-level access rights in which functions vary based on individual duties and the needs of the department. There was only one Super User, a DISS employee, who has primary

responsibility for critical systems-related maintenance tasks and making changes to access and permissions within the system. Per the Erie County Internal Control Accounting Policy, it is the department's responsibility to ensure internal processes include adequate internal controls, including sufficiently detailed written procedures and regular managerial review.

The Auditor found that several employees had the ability to change, modify, or delete adjustment entries in violation of department policy. Per RPTS' "GOVERN Adjustments" policy, permissions to modify or make adjustments is limited to the "in rem specialist, tax accountants, the Supervisory Accountant and Supervisory Tax Accountant." The user permissions roster provided by the Auditee indicated that the receptionist, system coordinator and three cashiers had the ability to change, modify, or delete adjustment entries in GOVERN. According to the Auditee, RPTS has designated a cashier to serve as the department's *in rem* specialist.

RPTS currently has no written policy or procedure related to effectuating changes to access levels in GOVERN. Per the Auditee, RPTS' current practice involves communication between users and administrators regarding operational needs within the system. Administrative users then send a written request to the Super User in DISS to make necessary changes. DISS confirms all changes to permissions with the Supervising Tax Accountant. The Auditor reviewed all permissions changes made in GOVERN during the audit period and found that each one was made by the Super User.

User rights were last reviewed in August 2023, which coincided with a change in administrative personnel within RPTS. The Auditor was informed that the Auditee has engaged in a managerial review process designed to confirm that changes made by the Super User matched the changes requested by the Administrator. Access rights were verified and clarified as necessary by observation and printouts of user access necessary for job duty performance.

Recommendation:

The Auditor recommends that RPTS implement a written policy describing the procedure for requesting and facilitating permission changes in GOVERN and to ensure that the policy is updated to reflect the present needs of the department. A written policy makes employees aware of the necessary steps to be taken when encountering an access-related obstacle in the performance of their duties and increases the likelihood that such obstacles will be addressed quickly. The policy should be sufficiently detailed as to inform RPTS administration which steps need be taken for onboarding a new employee, transferring access levels from one position to another, or adjusting access levels for existing employees in a manner consistent with DISS policy. This will reduce the disruption caused by staff turnover and intradepartmental position changes.

The Auditor further recommends that RPTS management provides for the regular review of user permissions. Such review should be described in a written policy and require the reviewing employee to document form and substance of oversight activity. RPTS leadership is in a better position to understand the needs of the department and their managed employees than DISS. Therefore, management should periodically request reports from DISS detailing the audit trail regarding requested and effectuated changes. Doing so on a regular basis will ensure that employees do not lack access to components of the system necessary for completion of job duties, and conversely, ensure that employees do not have access to functions and information they should not. This is especially important when employees shift positions or staff turnover occurs within the department.

Finding #3: Adjustment, modification, and refund transactions in GOVERN lack detail and controls.

Given the sheer volume of taxable parcels in Erie County, the system used by RPTS must necessarily contain a function for making adjustments to payment entries, and where appropriate, to facilitate and record refunds.

The Auditor found that individual entries tested omitted important information such as date and amount of the transactions. The Auditor further noted that the process for both adjustments and refunds lacked sufficient sign-off indicating a lack of managerial review of supporting documentation. The Auditor found no evidence of reconciliation or review of modified transactions.

Finding #3a: Adjustment transactions lacked necessary information on supporting documentation.

A primary function of the adjustment mechanism is to facilitate reversals. Occasionally, payment will be applied to the incorrect property in the GOVERN system. If the mistake is made by RPTS, an adjustment is initiated to reverse the payment to the incorrect property and apply the payment amount to the correct property. The same process is followed when payments are systemically applied to the incorrect tax year. Per written policy, RPTS may not make an adjustment if payment was incorrectly applied as a result of instructions from an escrow company or bank.

RPTS also processes adjustment transactions to ensure delinquent payments are properly applied to avoid *in rem* foreclosure. A property for which taxes have not been paid for three years is subject to be sold at auction during the County's annual *in rem* foreclosure sale. When a web payment is made to partially satisfy arrears, payment is automatically applied to the current year. If the prior years' taxes remain unpaid, the property is still at risk of being foreclosed upon. RPTS employees will alter, amend or modify web payments to apply any partial satisfaction to prior years to avoid this outcome. RPTS also uses the adjustment mechanism to process "other" modifications, such as fees incurred as a result of checks returned due to insufficient funds, pursuant to court order following a tax assessment challenge, or properties involving special considerations governed by a process involving the regional land bank. Automatic adjustments for balances under a certain amount are made by the GOVERN system.

During testing, the Auditor found that the supporting documentation for 12 of the 54 "other" adjustment transactions do not reflect the amount of the transaction, the date it was completed, or both. Per the Erie County Accounting System Internal Controls policy, each department is responsible for completeness, accuracy, timeliness, authorization and properly designed records. The amount of the transaction and date of transaction would fall under this policy.

For the first seven months of the audit period, RPTS had no managerial review policy for adjustment transactions. The Auditor was informed that managerial review of adjustment transactions, if any, was inconsistent. Any managerial review that did occur was not documented. Prior to August 2023, there was a step-by-step instructional document describing the process of running the "GOVERN Transaction Report." In August 2023, RPTS management added a managerial review component to the existing guidance document. The updated document instructed the Supervising Tax Accountant to review the report on a bi-weekly basis to ensure accuracy, completion, and that proper protocol was followed. The Supervising Tax Accountant was also required to document their review by initialing the file before securing it in the designated location. The Auditor confirmed that the review process described in the updated document occurred after August 2023.

The Auditor was informed by the Auditee that another type of adjustment, deemed "modifications," was performed in the GOVERN system automatically, but was not subject to managerial review. When payment is received through the mail, the cashier inputs the postmark date into GOVERN. If it is past the due date, the system will automatically calculate and adjust interest and penalties according to the postmark date of payment. GOVERN generates an audit trail report that details the calculations made in the system, but that report must be run by DISS, which RPTS did not request during the audit period. Therefore, no managerial review of the inputs was performed during the audit period to ensure that the postmark date used for the GOVERN calculation

was the postmark date on the envelope. Because postmark dates are entered manually by cashiers, an employee could conceivably backdate the transaction to eliminate interest and penalties. Therefore, managerial review is necessary to verify postmark dates.

Finding 3b: Refund transactions lacked oversight, omitted information, and suffered delays.

During fieldwork, the Auditor noted inconsistencies regarding processed taxpayer refunds. A GOVERN report is run monthly that notes all accounts which include a credit balance that may require a refund. If the taxpayer is entitled to a refund, it is processed and sent to the Comptroller's Office Accounts Payable Unit, which issues a check to the payee. The Auditor discovered issues with documentation, timeliness, oversight, and policy related to refunds.

During the audit period, RPTS had an overpayment refund procedure in place; that policy was supplemented in August 2023. The policy provided step-by-step instructions for processing refunds in GOVERN, but lacked additional substance and did not address other types of refunds. During testing, the Auditor found that the supporting documentation for 16 of the 67 refund transactions reviewed did not include the initials of the employee who processed the refund transaction.

The Auditor further found that 31 refunds of the 67 sampled were outstanding prior to 2023. Until August 2023, RPTS did not initiate the refund process unless the taxpayer personally contacted the office to request a reimbursement for amounts overpaid. Upon the arrival of new management in August 2023, the Auditor was informed that a verbal directive was issued to clear the refund backlog by the end of 2023.

Recommendation:

The Auditor recommends that RPTS develop and implement a detailed policy governing refunds. Any policy should include explicit guidance regarding the circumstances in which payors are eligible for refunds, as well as detailed instructions for processing in each situation. There is a lack of legal authority concerning refunds connected to real property tax obligations. New York State Real Property Tax Law provides a specific process and procedure for the issuance of refunds where a taxpayer is entitled to a certain refund following a tax assessment challenge, or when a clerical error has been made. State and County legal authority is virtually silent on issuing refunds in other scenarios. Other legal authority casts doubt upon the ability of counties to issue refunds resulting from overpayments or mistakes, especially when the return of unpaid taxes has been sent to RPTS by the local collector.

RPTS issued a number of refunds during the audit period that were not ordered by the Courts or result from a clerical error. The vast majority of these refunds were issued from payments that were taken in directly by RPTS, either because they were paid late or because the properties were located within the City of Buffalo. While there is no legal authority sanctioning the refunds described, there is no legal authority that explicitly prohibits refunds from being issued by RPTS under these circumstances. RPTS' practice as of August 2023 – promptly issuing refunds to taxpayers who overpay or make certain payments by genuine mistake – neatly comports with public policy considerations of equity and fundamental fairness. It is further acknowledged that RPTS cannot unilaterally change or amend laws to this effect. Thus, the Auditor recommends that RPTS review the nature of its refund transactions and implement a detailed policy setting a standard for the treatment of refunds that accounts for the variety of circumstances encountered by the department. The existence of and adherence to such a policy will insulate the department from allegations that refunds issued by RPTS were improper.

The Auditor further recommends requiring that all supporting documentation necessary to initiate and authorize any system amending transaction include the person initiating the transactions initials, the amount, as well as

the date of the transaction. Supporting documentation should be saved electronically or in another appropriate location. Department policy and guidance should provide specific instructions to RPTS employees as to how supporting documentation must be maintained.

The Auditor recommends that after RPTS management completes regular review of any transactions, the responsible individual document his or her review and note any issues or inconsistencies in a format that can be clearly and concisely presented to management and addressed accordingly. The Auditor acknowledges that the GOVERN system does not provide an efficient mechanism for reviewing backup documentation, thereby impeding the completion of a thorough and efficient managerial review process.

The Auditor also recommends that management regularly request the audit trail report detailing automatic modifications from DISS to allow for proper administrative oversight. Managerial review should include a reconciliation of reported postmark dates with supporting documentation.

Finding 4: Cash receipt transaction testing identified issues of timeliness and segregation of duties.

A majority of the County tax levy is collected by local collecting agents, employed by the various municipalities across Erie County, who accept County payments alongside local tax obligations. Those local collection officers are required to remit the County's portion of taxes collected to RPTS either in a single return, or by monthly remittances through the month of June. However, taxpayers who own property within the City of Buffalo, or those making late payments, must settle the County portion of their property tax obligation with the County directly.

Taxpayers can pay tax bills in person at the RPTS office or online. RPTS accepts cash, checks, credit card and debit card payments at the counter. RPTS also supports a web portal through which taxpayers can make payments electronically. At the end of each day, cashiers are required to close out their drawers by reconciling their daily transactions to reports generated in the GOVERN system. The closing process then requires cashiers to prepare three documents: a (1) deposit ticket, which records that day's cash transactions; a (2) check report, which records and electronically deposits the day's check payments; and (3) an EZNet pay report, which covers point of sale card transactions. These documents are collectively referred to as the "Daily Cashier Filings". Cashiers must deliver their Daily Cashier Filing to the Supervising Accountant at the end of each day. The Supervising Accountant will review and approve each Daily Cashier Filing, prepare the Cash Journal, and park the entry in the County's accounting system.

The Auditor tested 57 full days of cash receipts within the audit period. Reports detailing payments made through the web portal are automatically grouped under a particular day, while each cashier would have a separate Daily Cashier Filing for the transactions that he or she processed on a particular day. Therefore, the Auditor reviewed a total of 184 reports that were generated across the 57 days.

The Auditor determined that nine Daily Cashier Filings, which included cash or check transactions, were not deposited the next business day and that five of those transactions were not fully processed in GOVERN the day of the transaction. The Auditor also found that one full day of web-based or credit card transactions were not posted in GOVERN the day of receipt. The Auditor could not conclusively ascertain the cause of the delay. Based on email conversations with the Auditee, the most likely cause of the issue is a failure of cashiers to close out the system on particular days. In a recording context, GOVERN is considered a "live system". When "closed out", the system will automatically include each transaction processed therein going back to the time it was last closed. Thus, if a cashier forgot to close out the system on a particular day, the system would generate a report including two days of transactions if closed out the following day.

The Auditor further found that during the audit period, the Supervising Accountant processed one Daily Cash Filing and two web-based filings, then reviewed, approved and posted those same receipts. While this issue was likely the result of understaffing on a particular day, this conduct violates the Erie County policy for internal controls because the same individual processed, compiled, reviewed, and approved the transactions.

Recommendation:

While RPTS has made improvements in documentation and written procedures, the written procedures for processing cash receipt transactions lack detail and do not address a variety of areas where written rules are necessary. Therefore, the Auditor recommends that RPTS review, implement, update, and/or document additional procedures and include sufficient detail to ensure uniformity in departmental operations pertaining to cash receipts. For the reasons described below, new or updated policies should address timeliness, segregation of duties, and managerial review.

It is essential that each cashier completes the GOVERN closing procedure at the end of each day. Daily Cashier Filings are designed to provide a snapshot of transactions that occurred on a particular day. When a daily filing includes multiple days' worth of transactions, it complicates the reporting and accounting side of the process and increases the risk of errors. Furthermore, because cash receipts are deposited in an interest-bearing bank account, the failure to deposit payments daily increases the risk that assets are misplaced and deprives the County of interest revenue that it would otherwise earn.

Segregation of duties is an indispensable internal control designed to ensure that the risk of asset loss is minimized by virtue of a second individual verifying the financial record keeping of another. While the Auditor found no indication that any employee theft occurred during the audit period, the failure to segregate cashiering and review duties in particular transactions in contravention of written policy represents an opportunity that should have been prevented.

Finding 5: Policies for reviewing and documenting reconciliations between systems were missing.

In addition to accepting payments in cash and check form, RPTS accepts credit card and debit card payments at the counter. RPTS also supports a web portal through which taxpayers can make payments electronically. Because RPTS uses a single vendor to process card payments, any credit and debit card payments made in person are automatically included in the same report as web-based payments. Cash and check payments are compiled separately, as each cashier files his or her own report for collections in that format for each day.

The Auditor tested a sample of cash receipts covering 57 days which included cash, check, card, and web-based payments received by RPTS. The Cash Management Unit within the Comptroller's Office, Accounting Division is responsible for ensuring that all payments are properly reconciled with the bank's deposit record for a particular day. The Auditor found that for all payments received, there is no documented process for verifying whether such payments were received or tracing the movement of money to bank deposits in the appropriate account. The Auditor further found that the Cash Management Unit was not documenting these reconciliations and that the Accounting Division lacks a written and approved reconciliation policy in this area, thereby presenting an internal control issue relating to managerial review. The Auditor was informed that, at present, a supervisory employee performed these reconciliations and, in the event that a reconciliation was performed incorrectly, the system would reflect a non-zero balance. However, this account was not within the scope of the audit and the Auditor could not confirm this assertion with no documented reconciliation.

While conducting the review, the Auditor was able to verify the cash and check receipts to the bank statements in a straightforward manner. However, reconciling the card and web-based receipts to the bank statement was

a far more complex and time-intensive process due to timing issues, variation in card types, and adjustments which required referencing other supporting documentation and calculations. With the assistance of the Cash Management Unit, the Auditor was able to reconcile all 57 samples of daily transactions for card and web-based payments. However, the Auditor was unable to determine whether managerial oversight was being exercised due to lack of documentation.

Recommendation:

The Auditor recommends that the Comptroller's Office, Accounting Division establish a written procedure for reconciling cash receipts to bank deposit records reflecting cash, check, credit card and web-based transactions conducted by RPTS. The amount of difficulty that the Auditor experienced during the reconciliation process illustrates a rationale for written reconciliation policies. Given the complexity of the process, it is likely that in the event of sudden employee turnover, a new hire would find himself or herself in the same position as the Auditor without the benefit of their predecessor to walk through the process. Disruption of this nature increases the probability that mistakes are made.

The Auditor further recommends that any written policy include a process for managerial review of deposit reconciliations or a specific articulation of the systemic configuration rendering managerial review redundant. This would provide additional assurance that the records match, the data is factual, and that controls are functioning as intended. Managerial review also layers additional security for substantial County assets and minimizes the danger of loss or misuse.

AUDITOR'S COMMENTS:

Comment #1: GOVERN is an antiquated system that should be replaced.

The version of the GOVERN system that RPTS relies on to fulfill its core public obligations is dated, cumbersome, and cannot be modified or repaired without a substantial commitment of time, effort, and money. MS GOVERN, which is the product currently used by RPTS, is a "dead-end" system – the company supporting GOVERN provides basic maintenance services but no longer offers improvements or functional software updates. Thus, it is reasonably certain that the issues presented by the GOVERN system will continue to compound over time, and similarly certain that existing issues will remain unresolved. Furthermore, GOVERN does not communicate with other systems used by the County that are relevant to real property taxation, creating substantial impediments to accuracy, efficiency, and integrity of the tax collection process.

Because GOVERN is no longer receiving functional updates, it has become more prone to systemic malfunction. For instance, at one point prior to the audit period, an RPTS employee hit the "Enter" key several times in rapid succession. That solitary action by a single employee caused the entire system to freeze and crash, rendering it nonfunctional to the whole department. RPTS was unable to process any transactions for two full days while DISS worked to fix the problem. The Auditor was informed that the issue has been corrected and should not recur. However, this episode demonstrates the fragility of the GOVERN system.

By virtue of its incompatibility with the County's accounting system, GOVERN sets a ceiling for the efficiency of RPTS operations. This structural deficiency requires RPTS employees to extract data from GOVERN, translate it for accounting purposes, and separately input the data into the County's accounting system on a daily basis. Given the sheer volume of transactions processed on a daily basis, the inability of the two systems to integrate and communicate presents a difficult, tedious task for RPTS staff. Furthermore, the Auditor noted that the financial entries are only reconciled once annually. Having to manually translate and transfer volumes of

information from one system to another introduces the risk of human error which would not be present if there was portability between the two systems.

Another limitation noted by the Auditor was the inability of GOVERN to generate any reports that were not pre-programmed into the system. Unlike the County's accounting system, which allows systems managers to customize report generation as necessary to facilitate adequate review practices. The report generation functions in GOVERN are rigid, and while programmed reports allow for managerial review in some areas, GOVERN prohibits or substantially impedes the same in other areas. Prior to August 2023, overall managerial review practices were lacking or non-existent. These controls improved in the final third of the audit period, but remain ad hoc due to system-caused impossibility, or because the amount of managerial time spent on performing specific review tasks would be difficult to justify. Because managerial review is a crucial internal control designed to detect and address issues before the impact becomes significant, systemic obstacles to routine review practices present a variety of security risks to County assets.

Recommendation:

The Auditor recommends that RPTS take steps toward replacing the GOVERN system with a more capable alternative, which will necessarily involve the participation of DISS, the Division of Budget and Management, The Comptroller's Office and the County Legislature. In 2023, the County tax levy approximated \$300,000,000. The proper stewardship of those funds is a paramount County interest and, at present, the GOVERN system cannot be reasonably relied upon to ensure the accuracy, reliability, and integrity of the tax collection process.

For the reasons described in the Comment, any endeavor to replace the existing system should prioritize three particular criteria: (1) the system must interface directly with the County's accounting system and include the ability to attach supporting documentation directly to the specific transaction within the program, the (2) system should be customizable to the extent RPTS deems necessary to perform its work in an efficient, secure manner while providing for adequate managerial review; and (3) the entity behind the system should be capable of and available to service and update the software as necessary.

A new system that meets these criteria would resolve many of the issues described in this report. It would provide for a seamless transition between the systems used by RPTS and the Comptroller's Office, increase the efficacy of internal controls within RPTS, increase workflow efficiency by offering improved real-time performance in a reliable software apparatus, allow for reconciliation on a regular basis, and create greater opportunities for adequate managerial oversight. While the Auditor acknowledges that replacing any system within a county department is a massive undertaking requiring a significant expenditure of time, money, and effort, the Auditor believes that the benefits a new system would provide to RPTS, and the risks of inaction far outweigh the burden of inquiry, replacement, and adjustment.

Comment #2: RPTS is using a different department's one-time vendor account.

The Auditor noted that when refunds are issued by RPTS, the department uses the one-time vendor account under the Division of Budget and Management. Typically, each department uses their own one-time vendor account to issue checks to a recipient who is unlikely to have another check issued to them by Erie County. For RPTS, taxpayer refunds are an appropriate use of the one-time vendor.

The Auditor noted that a one-time vendor account has never been set up for RPTS. This was likely an oversight that was never addressed after the Department of Finance was abolished. Previously, RPTS and the Division of Budget and Management were both situated within the Department of Finance. When the components of that

office were subdivided, the one-time vendor account for Finance was likely transferred to the Division of Budget and a new one-time vendor account for RPTS was never created.

Recommendation:

The Auditor recommends that the Comptroller's Office set up a one-time vendor account for RPTS in the County's accounting system. Because circumstances giving rise to taxpayer refunds arise each year and the 2025 "busy season" for RPTS is approaching, this should be done promptly to ensure availability to RPTS in the coming year. Once created, RPTS should use that account instead of the one-time vendor account for Budget and Management. By using its own one-time vendor account, RPTS will be able to more easily confirm the accuracy and propriety of transactions by viewing overpayments and refunds within the context of its own budgeted actuals.

Comment #3: RPTS cashiers are not initializing deposit tickets.

The Auditor noted that RPTS has no procedure or other requirement that would obligate cashiers to initial or otherwise identify themselves when completing daily deposit tickets. During testing, the Auditor noted that 50 of 57 days tested included cash deposits. No deposit tickets included the initials, signature, name, or other identifying information of the cashier who completed the ticket.

Recommendation:

Including information identifying the individual who completes a deposit ticket is an important control that increases the security of assets and helps to protect the employee from deposit tampering. Because RPTS has multiple cashiers completing deposit tickets on a daily basis, the identity of the cashier is not immediately ascertainable. If an issue arises, management must retrieve and review separate documentation to determine who completed which ticket prior to addressing the issue. Therefore, the Auditor recommends that RPTS promulgate a written policy requiring cashiers to, at minimum, initial the deposit tickets that they complete.

Furthermore, an identification requirement would increase internal controls around asset security, ensure proper segregation of duties, serve as an indicator of authorization, render supporting documentation more complete, and safeguards employees from deposit tampering.

Comment #4: RPTS' existing policies and procedures are not dated and approved.

The Auditor reviewed multiple policy and procedure documents in effect within RPTS during the audit period, including the department's "Cash Management Procedures", GOVERN adjustment procedures, and overpayment refund procedures. These procedures do not contain a documented date or the signature of the preparer. Nor could the Auditor locate a date and signature indicating management approval. In certain documents, notations were inserted next to particular paragraphs, allowing the Auditor to determine that some updates were made and when. However, without the prior version of the policy, the Auditor was unable to determine when the original document was put into effect or whether the notations were limited to the particular paragraph marked as updated.

Recommendation:

The Auditor recommends that RPTS management review and confirm all existing policies. Once complete, RPTS management should sign, date, and document that approval. Management approval of policies and procedures, as well as the date approved, is essential to the validity of the policy or procedure. Without management approval, a policy is not binding on employees, which is a necessary prerequisite to office administration. Without an effective date, it cannot be determined when the obligations described in the policy became affirmative

obligations of employees. RPTS management should repeat this process whenever a new policy is implemented, or an existing policy is updated. Doing so will increase the likelihood that new or updated policies are considered, accurate, and achieve the objective that the policy is in place to promote.

RESULTS OF EXIT CONFERENCE

An exit conference was held on January 14, 2025, with the Erie County Director of Real Property Tax Services and members of the Division of Collection. In addition, a separate exit conference was held on January 8, 2025, with the Erie County Deputy Comptroller of the Comptroller's Office. At both meetings, findings and comments were discussed in detail and any appropriate adjustments were made prior to final report being issued.

The Erie County Comptroller would like to thank the Director of Real Property Tax Services and Deputy Comptroller and their respective participating staff members for the courtesy extended to the Division of Audit during the course of the audit.

ERIE COUNTY COMPTROLLER'S OFFICE

cc: Hon. Mark C. Poloncarz, Esq., Erie County Executive
Scott Bylewski, Esq., Director of Real Property Tax Services
Hon. Dr. Kevin Hardwick, Erie County Comptroller
Erie County Fiscal Stability Authority
Mark Cornell, Director of Budget and Management

APPENDIX A

Auditee's Response to the Draft Audit Report



County of Erie

DEPARTMENT OF REAL PROPERTY TAX SERVICES

SCOTT A. BYLEWSKI
DIRECTOR REAL PROPERTY
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January 24, 2025

Honorable Kevin R. Hardwick
Erie County Comptroller
95 Franklin Street, Room 1100
Buffalo, New York 14202

Re: Audit of Tax Revenue Real Property Services (for the period January 1, 2023, through December 31, 2023)

Dear Comptroller Hardwick:

We thank you and your Audit Team for your thorough review of tax collection in Real Property Tax Services (RPTS) for the period January 1, 2023, through December 31, 2023. As you are aware, it is a very thorough process, involving a lot of moving parts given collection occurs across the local municipalities within the County and that Tax Collection is one of the three divisions within RPTS (the other two being Tax Preparation and Administration Division and Tax Mapping / Title Search). In addition to the collection of current taxes, the Tax Collection Division is also involved in collecting delinquent taxes, including but not limited to using the In Rem process. We also thank you for the opportunity to respond to the audit and ask that our response in totality be included as part of your audit report being submitted to the Erie County Legislature. RPTS has made great strides in documenting and overall oversight since 2020 and continues to add knowledge and skills and additional staff to accomplish our objectives and goals. We will address each of your findings and comments in order.

Finding #1: Physical security measures and Loomis Logs are not adequately maintained to preserve internal control over cash deposits.

Finding #1a: Security infrastructure is insufficient to conclusively prevent fraud.

RPTS Response:

The information that was preliminarily provided to RPTS, we discussed with and indicated to the Comptroller's Audit team that we recommended a meeting with Security, Building & Grounds, and RPTS would have to discuss further, as neither RPTS nor the Comptroller's Audit team are security experts. Further, we note that there are multiple security redundancies in existence. However, we are continuously trying to improve.

Finding #1b: Practices relating to physical cash deposits lack written policies and internal controls.

RPTS Response:

Bags are not provided by the Armored Car service (Loomis), bags are a general office supply item ordered through an office supply company. Based on the auditor's recommendation we have created the "Loomis bag log" and procedures for logging Loomis bags in, when they are ordered and received, and we have attached for the auditor's records. Although the procedure was not implemented until after the audit period, we appreciate the auditor's bringing this to our attention we believe this new procedure going forward addresses all their concerns regarding a bag not being used for any reason.

Cash shortages (if applicable) the Comptroller's Office Cash Management team does notify the Supervising Accountant and Supervising Tax Accountant on. There were procedures established prior to the audit period which were shared with the auditors by both the Comptroller's Office Cash Management team as well as the Supervising Tax Accountant where overages are reported on the over/short form, as outlined by the RPTS Cash Management Policy which is attached and was shared with the audit team who failed to acknowledge there are procedures in place, the emails were shared with the team as well as the form per the Comptroller's office cash management procedure.

Per the auditor's recommendation an email was sent from RPTS to Comptroller's Office Cash Management Team and Budget to start conversations regarding procedures and policies for Department deposits outside of RPTS Deposits. The email is included for your records on January 23, 2025, at 10:36 a.m.

Finding #2: User rights within GOVERN are not well defined and are not regularly reviewed.

RPTS Response: We agree that access and rights were not strictly monitored in the past during the audit period until August 2023 for Govern and those rights were assigned by DISS staff outside of RPTS. Although after receiving such report from the auditors and based on the Auditors recommendation management has requested the report on a quarterly basis to ensure users have the rights, they need to complete their job but at the same time are restricted to only those duties necessary to their job. Although we refute the fact that all users had rights to complete adjustments as they did not, and this was shown to the auditors during their month-long visit in the cashier area. As well as shown using the adjustment, abatement reports to show them as proof during the audit period.

Finding #3: Adjustment, modification, and refund transactions in GOVERN lack detail and controls.

RPTS Response: We thank the auditors for alerting us to what they referred to as an “Audit Report” from the DISS department, this was helpful as we were never told such a report exist in fact when we asked the DISS department whom oversees the Govern system indicated they had no idea which report the auditors were referring to as it was never provided to RPTS in the past. Despite RPTS having an adjustment and refund report of which we were aware, we were not aware of the modification data missing. Modification data is when a party taking a payment, backdates the payment as per procedure outlined to the post mark date, Govern would create a log of such unreported to RPTS called “Modifications” as this would automatically charge the interest or not based on the post mark date. Thanks to the Comptroller’s Office Audit team providing us a sample of said report, we were able to request such going forward from our DISS Team and have developed a written and approved procedure for those transactions referenced by the Comptroller’s Audit Team.

We do agree that prior to the arrival of the new Supervising Tax Accountant in August 2023, that some of the documentation for adjustments were not as thorough as they are in August 2023, since then the audit team has been showed all refunds and adjustments have been confirmed, reviewed, and have extensive backup provided for such.

Finding #3a: Adjustment transactions lacked necessary information on supporting documentation

RPTS Response: We thank the auditors for alerting us to what they referred to as an “Audit Report” from the DISS department, this was helpful as we were never told such a report exist in fact when we asked the DISS department whom oversees the Govern system indicated they had no idea which report the auditors were referring to as it was never provided to RPTS. Despite RPTS having an adjustment and refund report we were unaware of the modification data. Modification data is when a party taking a payment, backdates the payment as per procedure outlined to the post mark date, Govern would create a log of such unreported to RPTS called “Modifications”. Thanks to the Comptroller’s office Audit team providing us a sample of said report, we were able to request such going forward from our DISS Team and have developed a written and approved procedure for those transactions referenced by the Comptroller’s Audit Team. This procedure includes anyone changing a date received to a post mark date must include the envelope for the payment in their daily transaction folder which is reviewed and monitored by the Supervising Accountant.

We do agree that prior to the arrival of the new Supervising Tax Accountant in August 2023, that some of the documentation for adjustments were not as thorough as they are in August 2023, since then the audit team has been showed all refunds and adjustments have been confirmed, reviewed, and have extensive backup provided for such.

The auditor references that the supporting documentation for 12 of the 54 “other” adjustment transactions do not reflect the amount of the transaction, the date it was completed, or both. The notifications came directly from the City of Buffalo to change ownership to the City of Buffalo

for the 12 properties in question, as such and a condition for changing city properties to City owned properties the policy is to adjust the late fees as they are now owned by the city and the city would not pay itself late fees on its own properties. The emails and backup confirmation of such was provided to the auditors but because the City of Buffalo did not spell out how much to waive as it said all late fees, it is listed as a finding.

Finding #3b: Refund transactions lacked oversight, omitted information, and suffered delays.

RPTS Response: The Refund policy has been updated to include some of the items referenced based on the Audit Team's recommendations and are attached. The Auditor did find that the supporting documentation for 16 of the 67 refund transactions reviewed did not include the initials of the employee who processed the refund transaction. As such we have highlighted in bold that all refunds must be reviewed and initialed by both the employee issuing the refund and the Supervising Tax Accountant going forward.

We agree with the Auditor further found that 31 refunds of the 67 sampled were outstanding prior to 2023. Until August 2023, RPTS did not initiate the refund process unless the taxpayer personally contacted the office to request a reimbursement for amounts overpaid. Upon the arrival of new management in August 2023, the policy was changed to be more proactive and ensure all taxpayers that overpaid, had their overpayment applied to outstanding taxes and if no outstanding taxes existed, and a refund was determined to be warranted it would be refunded to the taxpayer who made the overpayment collected by RPTS.

Finding #4: Cash receipt transaction testing identified issues of timeliness and segregation of duties.

RPTS Response: We agree the Auditor determined that nine Daily Cashier Filings, which included cash or check transactions, were not deposited the next business day and that five of those transactions were not fully processed in GOVERN the day of the transaction. The Auditor also found that one full day of web-based or credit card transactions were not posted in GOVERN the day of receipt. The Auditor could not conclusively ascertain the cause of the delay. This was correct for a portion of the audit period, as the policy was changed sometime in 2023 based on conversations from then Budget Director that they needed to close out daily, since then staff have been reminded of such, it has been outlined in the procedures again and we consistently remind the team they need to close out each day. All staff have been reminded including but not limited to the Supervising Accountant that they cannot take payments, and post payments it has also been incorporated in a reviewed and approved procedure attached

Finding #5: Policies for reviewing and documenting reconciliations between systems were missing.

RPTS Response: As the Comptroller's Office Cash Management is very good at notifying RPTS, when a cash deposit was off, RPTS was under the impression that the Comptroller's Office Cash Management Team confirmed and reconciled both the cash and credit transactions

we send to them to the bank statements of the county. As RPTS has no access or need to access such this is an area of concern for our department as well.

AUDITOR'S COMMENTS:

Comment #1: GOVERN is an antiquated system that should be replaced.

RPTS Response: We are in agreement with the Auditors that we need a new tax collection system. RPTS for the past two years has been heavily involved in meeting with various town clerks for input as to what would be needed in a tax collection software. DISS staff, RPTS Staff various town clerks throughout the county have been instrumental in defining the parameters for a replacement tax collection system which include but are not limited to (1) the system must interface directly with the County's accounting system and include the ability to attach supporting documentation directly to the specific transaction within the program, the (2) system should be customizable to the extent RPTS deems necessary to perform its work in an efficient, secure manner while providing for adequate managerial review; and (3) the entity behind the system should be capable of and available to service and update the software as necessary. The Budget Director, Director of DISS, Director of RPTS, Supervising Tax Accountant and County Executive Team all have been instrumental in presenting the replacement software funds as a Capital Budget request item which has been approved and now included in the Legislatures approved 2025 Budget. Meetings have started to ensure that the RFP includes all items necessary and include DISS, Comptroller's Office, and RPTS Staff.

Comment #2: RPTS is using a different department's one-time vendor account.

RPTS Response: We have reached out to the Comptroller's Office Accounting Team which establishes and programs one-time vendors for input as well as to double check the status of the request from the audit department. Have included the email for your records. Per the Comptroller's Accounting side, all transactions under the one-time vendor being used were reviewed and determined they were all RPTS payments, so as such the name of the vendor was changed to properly reflect our department issuing the payment.

Comment #3: RPTS cashiers are not initializing deposit tickets.

RPTS Response: Upon hearing the recommendation from the Comptroller's Audit team we have updated our Cashier instructions to include in addition to writing the bag number and amount on the deposit slip, the cashier's initials as well. They are included in the cashier handling procedures provided.

Comment #4: RPTS's existing policies and procedures are not dated and approved.

RPTS Response: Prior to the arrival of the new Supervising Tax Accountant in August 2023 of the audit period much of the procedures without dates referenced were already in place upon their arrival but were not dated or initialed. Once the new Supervising Tax Accountant had seen this, he then reviewed the procedures to ensure they were accurate and provided proper accounting and control measures, then sent those procedures to the Director of Real Property Tax

Services for review and approval, once it was received dates, notes, and the initials of both the Supervising Tax Accountant and Director were added to the procedures and shared with staff.

Again, we thank you for you and your Audit Team, this audit, and the approximately year long time period and the effort spent to conduct it. We appreciate all. Please do not hesitate to contact us if you have any questions.

Sincerely,



Scott A. Bylewski, Esq. Director
Real Property Tax Services