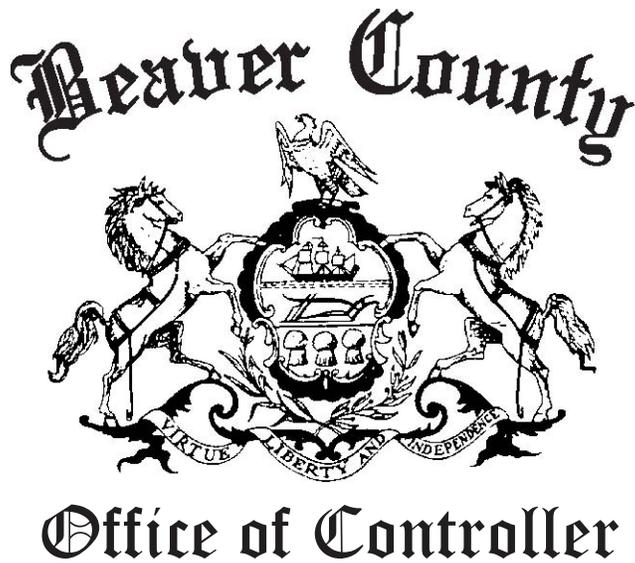


THE OFFICE OF BEAVER COUNTY ASSESSMENT & TAX CLAIM
BUREAU
BEAVER, PENNSYLVANIA

FINANCIAL EXAMINATION REPORT

FOR THE PERIOD OF
January 1, 2012 through June 30, 2014



DAVID A. ROSSI, CONTROLLER

www.beavercountypa.gov

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CONTROLLER



WILLIAM CALHOON
DEPUTY CONTROLLER

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January 15, 2015

Assessment Office and Tax Claim Bureau of Beaver County, Pennsylvania

REPORT OF COUNTY CONTROLLER

We have examined the financial affairs relating to the Tax Claim Bureau General Account and Tax Claim Bureau Sale Account and related compliance with the pertinent provisions of law of the Office of Assessment and Tax Claim Bureau of Beaver County, Pennsylvania (the "Office"), for the period of January 1, 2012 through June 30, 2014 solely for the purposes of satisfying Article 17 of Title XVI of the Pennsylvania Statutes and for providing recommendations for improvement to internal control and effectiveness over the Office's operations. The financial affairs, operation, and compliance with applicable law are the responsibility of the Office's management. We do not express an opinion or provide any assurance on the information examined because the limited procedures executed do not provide us with sufficient evidence to express an opinion. We did, however, find several instances that warrant mention and recommendations for correction and/or improvement. These instances are described in the section entitled Findings and Recommendations.

We have also compiled the Schedules of Cash Receipts and Disbursements for the period of January 1, 2012 through June 30, 2014.

Our examination procedures were performed through the date of this report and, as such, we may have included findings and/or observations encountered up to that date.

This report is intended for the information and use of the Office and the Beaver County Board of Commissioners, and is not intended and should not be used by anyone other than these specified parties. However, public policy dictates that this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "David A. Rossi".

Beaver County Controller

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

OFFICE OF ASSESSMENT / TAX CLAIMS

FOR THE SIX MONTHS ENDED JUNE 30,

	<u>2014</u>
<u>Receipts</u>	
Departmental Earnings	<u>\$ 795,772</u>
Total Receipts	795,772
<u>Disbursements</u>	
Salaries & Benefits	519,192
Personnel Expense	1,846
Occupancy	1,248
Communication	5,798
Supplies & Minor Equipment	7,380
Transportation	5,303
Consultant/Contracted Services	5,082
Other Disbursements	<u>82,782</u>
Total Disbursements	<u>628,631</u>
Excess (Deficiency) of Receipts Over Disbursements	<u><u>\$ 167,141</u></u>

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULES OF RECEIPTS AND DISBURSEMENTS

OFFICE OF ASSESSMENT / TAX CLAIMS

FOR THE YEARS ENDED DECEMBER 31,

	<u>2013</u>	<u>2012</u>
<u>Receipts</u>		
Intergovernmental Receipts	\$ 546	\$ 76
Departmental Earnings	<u>718,583</u>	<u>1,211,082</u>
Total Receipts	719,130	1,211,158
<u>Disbursements</u>		
Salaries & Benefits	1,114,414	1,138,560
Personnel Expense	20,018	16,535
Occupancy	2,995	2,995
Communication	245,688	251,375
Supplies & Minor Equipment	20,669	27,134
Transportation	10,808	14,465
Consultant/Contracted Services	17,505	30,260
Capital Outlay	19,206	-
Other Disbursements	<u>111,556</u>	<u>101,309</u>
Total Disbursements	<u>1,562,859</u>	<u>1,582,633</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>\$ (843,729)</u>	<u>\$ (371,475)</u>

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

TAX CLAIMS AGENCY FUND

FOR THE SIX MONTHS ENDED JUNE 30,

	<u>2014</u>
<u>Receipts</u>	
Real Estate Taxes	\$ 4,630,305
Sales Proceeds	38,617
Interest Income	<u>178</u>
Total Receipts	<u>4,669,100</u>
<u>Disbursements</u>	
From Tax Receipts:	
County	2,347,116
Municipal and School District	4,300,144
Miscellaneous	2,589
From Sales Proceeds:	
County Commission	290,929
Upset Sale	171,995
Private Sale	-
Judicial Sale	192,220
Repository Sale	<u>-</u>
Total Disbursements	<u>7,304,992</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(2,635,893)</u>
Cash and Cash Equivalents Balance - Beginning	<u>8,293,428</u>
Cash and Cash Equivalents Balance - Ending	<u><u>\$ 5,657,535</u></u>

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

TAX CLAIMS AGENCY FUND

FOR THE YEARS ENDED DECEMBER 31,

	<u>2013</u>	<u>2012</u>
<u>Receipts</u>		
Real Estate Taxes	\$ 12,747,937	\$ 12,991,730
Sales Proceeds	745,322	1,142,226
Interest Income	<u>687</u>	<u>1,634</u>
Total Receipts	13,493,946	14,135,590
<u>Disbursements</u>		
From Tax Receipts:		
County	2,063,713	4,895,292
Municipal and School District	5,657,224	8,046,841
Miscellaneous	1,706	8,868
From Sales Proceeds:		
County Commission	42,302	80,749
Upset Sale	366,322	471,401
Private Sale	8,154	2,551
Judicial Sale	486,649	221,567
Repository Sale	<u>46,485</u>	<u>94,401</u>
Total Disbursements	<u>8,672,554</u>	<u>13,821,670</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>4,821,392</u>	<u>313,920</u>
Cash and Cash Equivalents		
Balance - Beginning	<u>3,472,035</u>	<u>3,158,115</u>
Cash and Cash Equivalents		
Balance - Ending	<u><u>\$ 8,293,428</u></u>	<u><u>\$ 3,472,035</u></u>

Office of Assessment and Tax Claim Bureau
Notes to Financial Statements
For the period January 1, 2012, through June 30, 2014

Note A – OFFICE DESCRIPTION

The Office of Assessment and Tax Claim Bureau of Beaver County, Pennsylvania, (the “Office”) performs a number of functions for the general public, the citizenry of Beaver County, and Beaver County’s government (the “County”). While working with a single director and on shared physical premises, the functions of the Office can be divided into those of the Office of Assessment (“Assessment”) and those of the Tax Claim Bureau (“Tax Claims”).

Assessment:

The Office is responsible for all real estate assessments in Beaver County under Title 53, Chapter 88, of the Pennsylvania Consolidated Statutes, also known as the Consolidated County Assessment Law. Assessment also performs mapping functions and parcel updates in accordance with deed transfers, subdivisions, mergers, and other legally recorded activity. The taxable status of parcels is updated by Assessment as well as based on orders issued by the Board of Assessment Revision and recorded assessments are changed based on orders from the Beaver County Auxiliary Appeal Board. Once yearly a Certified Assessment Roll is produced by Assessment, which lists all parcels with assessed values and taxable status for the upcoming year. The Homestead/Farmstead Exclusion and the Clean and Green assessment applications and information are also managed by Assessment. Finally, Assessment also handles the sales of certain items to the public, such as tax maps, tax certifications, property lists, among others.

Tax Claims:

Tax Claims receives reports of delinquent real estate taxes from local tax jurisdictions and subsequently proceeds with a collection effort of such past-due County, Municipal, and School District real estate taxes. Tax Claims follows statute to inform affected property owners of balances due and procedures to be followed in the case that delinquent balances are not satisfied. Receipts of taxes and costs due on properties are deposited into a Tax Claims checking account. Disbursements are made on a quarterly basis to the various jurisdictions and to the County’s General Fund pursuant to the Pennsylvania Real Estate Tax Sale Law. Properties for which taxes are not collected within a certain time are subjected to auction-style tax sales. The first sale a property will be exposed to is called the Upset Sale. Minimum bids are established that amount to all taxes and penalties due, as well as costs and interest imposed by Tax Claims and certain municipal and state liens. Other possible liens are not included in the minimum bid; however any existing liens remain with the property beyond the deed transfer. Properties not sold at Upset Sale will be subject to Private Sale, whereby interested buyers can place offers to buy these properties. After a process that necessitates public disclosure and approval from the affected taxing jurisdictions, the property can be sold. Under Private Sale, properties will not be sold for less than claims and costs on record and cost of consummation. Approximately one year after the Upset Sale properties that remain unsold with delinquent taxes outstanding are subjected to another auction-style tax sale, the Judicial Sale. In a Judicial Sale minimum bid amounts consist of costs incurred and charged by Tax Claims under Court approval.

Office of Assessment and Tax Claim Bureau
Notes to Financial Statements (continued)
For the period January 1, 2012, through June 30, 2014

Note A – OFFICE DESCRIPTION (continued)

Tax Claims (continued):

Properties that do not receive bids at Judicial Sale are placed on a list called the Repository of Unsold Properties (the “Repository”). Properties on the Repository are available for purchase by the public in a process similar to that of the Private Sale. Funds collected from all approved and confirmed sales are ultimately disbursed to the appropriate taxing districts and lien holders.

A more complete narrative of the Office’s functions can be found on the County’s website.

The Chief County Assessor is the Office’s Director (the “Director”). The Director is an appointed public official selected by the Board of Commissioners.

The Office is staffed by approximately seventeen full-time employees, in addition to the Director. Non-managerial positions are part of collective bargaining agreements.

The Office is an integral part of the County, a local government entity. As such, it is subject to the policies and procedures set by Beaver County’s governing body and any applicable laws.

The Director and his management staff are responsible for the accuracy of the financial information produced at the Office. Management is also responsible for establishing and maintaining internal controls to safeguard the financial resources for which it is accountable. Internal controls are designed to:

1. Prevent or timely detect unauthorized acquisition, use, or disposition of assets;
2. Ensure the reliability of financial reporting; and
3. Provide reasonable assurance that applicable laws and regulations are complied with.

Note B – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES AND FISCAL PROCEDURES

The Office reports on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses are recognized when the disbursement is made. The Office does not periodically prepare schedules of cash receipts and disbursements. For purposes of this examination, the Controller’s Office prepared the schedules of receipts and disbursements included with this report.

Office of Assessment and Tax Claim Bureau
Notes to Financial Statements (continued)
For the period January 1, 2012, through June 30, 2014

Note B – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES AND FISCAL PROCEDURES (continued)

The Office manages the Tax Claim Bureau General Account and Tax Claim Bureau Sale Account, bank accounts that are used for the transactions that take place regarding the collection of delinquent taxes and the proceeds from the sale of parcels, respectively. The Office accepts cash, personal checks, and certified checks for the collection of delinquent real estate taxes and costs. In addition to these forms of payment, the Office also accepts attorney's escrow checks for proceeds from the sale of properties. Assessment-related cash transactions are deposited into the County's General Fund cash accounts. All disbursements made from the Office are submitted to the Controller's Office for payment.

All transactions of the Office for the period of examination are included in the scope of this report.

The schedules of receipts and disbursements are presented as internally reported by the County. The Tax Claims Agency Fund acts as an escrow fund for all financial transactions relating to Tax Claims. Funds are collected by means of delinquent balance payments and from proceeds of tax sales. Later those collections are paid out to the corresponding taxing jurisdictions and lienholders. No net income or expense is recorded in this fund. The Office of Assessment / Tax Claims is a function of the County's General Fund. All income and expenses of the Office are recorded here, regardless of whether they are related to Assessment or Tax Claims. Examples of income are all payments for tax claim costs, commission (except on the portion of County taxes), and over-the-counter sales. Expenses are comprised primarily of wages and related benefits of Office personnel.

Note C – OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES AND REPRESENTATIONS

The Controller reported certain findings along with recommendations for improvement as a result of the examination performed. The section detailing these findings and recommendations follows this note. Additionally, the Office has provided responses and comments to specific items in this report. The Controller, in turn, may have remarked to these statements. These responses and comments, selected ancillary documentation provided along with the responses and comments, and the Controller's remarks have been included in this report as well. Finally, the Office has made certain representations to the Controller which are included as the last section of this report.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations

1. Inadequate controls over Assessment-related cash transactions

Background:

The Office uses a paper-receipting method when tracing cash collections through all Assessment-related purchases by customers in the Office. When purchases by customers are made at Assessment, cash or checks are collected for the purchase, and a receipt is filled out with two carbon copies. The customers receive the receipt for their records, and the two carbon copies remain in the Office. Exact change is requested by the Office and this is stated on numerous signs posted throughout the Office.

Description of Condition:

In reviewing copies of the receipts, it was noted that the description of the purchase is entirely at the discretion of the clerk filling out the receipt, meaning whatever is written on the receipts, that is what is assumed to have been purchased. There is no tracing in place to determine what exactly was purchased by the customer. The Office also will use multiple receipt booklets at any given time, making the process of sequential receipt tracking near impossible. Daily reconciliations are not completed by any Assessment personnel. Daily deposits of cash and checks are made to the Treasurer's Office and a transmittal is filled out. The Assessment Supervisor does not review the receipts or transmittals until the end of the month. Furthermore, the monthly review performed does not include basic financial control routines, such as comparing the amount receipted to the amount deposited and testing for correct pricing. Throughout our testing period, we were also able to verify that the total sums being deposited in the Treasurer's Office exceeded those being receipted for. We also determined that at least two purchases were made for less than the price listed on the Assessment Price List posted throughout the Office (The customer was charged only \$5.00 for the item purchased, but the stated price for the specific item is \$25.00).

Cause of Condition:

The Office has not fully considered the importance of designing and implementing internal controls around the collection, receipting, and deposit cycle of funds and, consequently, has not implemented such system of controls.

Effect of Condition:

The Office cannot assert with reasonable certainty the value of services sold. Any amount collected for services sold could be more or less than what was sold or what should have been sold according to the official fee schedule. The current environment is prone to embezzlement with little opportunity for detection. The Office did uncover an act of embezzlement by one of its personnel in early 2014. Additionally, basic recommended review procedures cannot be performed as a result of the current system's setup.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

1. Inadequate controls over Assessment-related cash transactions (cont.)

Recommendation:

We recommend that the Office consider the purchase of an electronic tracking and receipting system for all purchases produced in the Assessment portion of the Office. Exact prices can be set in the system and daily reports could be run from the program so an accurate account of daily collections can be produced. Receipts would be stored electronically and the Office would not run the risks of storage space restrictions and loss for the currently used paper receipts. A manual system could be implemented as an alternative, however it would be more costly and/or subject to a much higher rate of error and manipulation.

2. Records and information management – Physical items

Background:

Tax Claims currently will keep documentation regarding properties going through the sale process until the property is sold or the delinquent taxes have been paid off. At that time, Tax Claims will expunge the files since they are deemed no longer necessary. Generally, all other paperwork is kept inside the Office area for a few years before it is sent to outside storage due to space limitations within the Office.

Description of Condition:

Many times throughout the testing period property files were sampled for review, but the corresponding property folders and other documentation were unavailable because such records had been eliminated. There were a few other times when documentation could not be found within the Office's confines and it was unclear if it was located in the off-site storage location or somewhere within the Office. The Office does not have a proper tracking system for placing and locating documents between the physical Office's space and the off-site storage facility. An on-site storage room was observed overstocked with boxes of documentation that were not organized to allow for efficient searches. Office personnel were overheard discussing the general lack of space and the amount of space it would require to retain documentation for an extended period of time.

Cause of Condition:

The Office has not thoroughly considered the reasonable necessities of documentation retention and retrieval.

Effect of Condition:

While most documentation is not required to be kept for a period of time beyond the Office's current practice according to enacted law, if an issue would arise with a property lacking documentation (because it was either purged or it cannot be located), the Office might not be able to provide what is needed to resolve such issue. It also makes the tracking of transactions by auditors and other interested parties very cumbersome at best, impossible at worst.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

2. *Records and information management – Physical items (cont.)*

Recommendation:

We recommend that the Office properly label all boxes of documents on-site and determine what boxes are currently in the off-site storage facility. We recommend the Office develop a filing system for boxes of documentation located on-site and off-site in a binder to be kept with the Administrative Assistant. All transfers of records are to be completed only by the Administrative Assistant. Tax Claims should also consider storing property folders electronically in a separately dedicated computer system. Documentation can be scanned into said system with each property having its own organized information storage folder. After all documentation is scanned in, physical records can be purged by Tax Claims. When additional storage space is needed, oldest data can be removed and electronically archived and secured within the Office. Alternatively, the Office could commend a study to professionals dedicated to information and records management for a comprehensive solution in managing information effectively and efficiently.

3. *Compliance with Title 53, Chapter 88 – Consolidated County Assessment Law*

Background:

Title 53, Chapter 88 – Consolidated County Assessment (the “Assessment Law”) is the section of legislation set in place for County Assessment Offices in all second class A through eighth class counties located in the Commonwealth of Pennsylvania.

Description of Condition:

During the period examined, we have noted a number of findings related to the above mentioned legislation:

- a. During our testing period three Tax Exemption Status hearings were held and acted upon at a date after the statutorily imposed deadline in the legislation. The three hearings were held approximately 20 days after such deadline of October 31. Action by the Beaver County Board of Assessment Revision took place after the date of the hearing. Section 8844(e)(1) of the above mentioned section of the Assessment Law states that: “The board shall meet for the hearing of appeals and shall meet for this purpose until all appeals have been heard and acted upon. The board shall have the power to compel the attendance of witnesses and the furnishing of documents. For the purpose of examining witnesses, any member of the board may administer oaths. All appeals other than appeals brought under section 8841(c) [Relating to Interim Revisions to Assessment Rolls] shall be heard and acted upon no later than October 31. When an appeal has been filed, the board shall notify the appellant, property owner and each affected taxing district of the time and place of the hearing. Each party attending the hearing shall have the right to examine any witness. The notice shall be mailed to the appellant at the address designated in the appeal. Notices required by this section shall be mailed no later than 20 days preceding the appeal.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

3. *Compliance with Title 53, Chapter 88 – Consolidated County Assessment Law (cont.)*

Description of Condition (cont.):

Any appellant who fails to appear for the hearing at the time fixed shall be conclusively presumed to have abandoned the appeal unless the hearing date is rescheduled by the mutual consent of the appellant and the board.”

- b. Also during our testing period, it was observed that one appellant filed an appeal application after the deadline stated in the Assessment Law. It was observed on this appellant’s application that it was returned to the Office on September 22 (20 days after the due date). Section 8844(c) of the Consolidated County Assessment statute states in part the following: “Any person aggrieved by any assessment, whether or not the value thereof shall have been changed since the preceding annual assessment, or any taxing district having an interest in the assessment, may appeal to the board for relief. Any person or taxing district desiring to make an appeal shall, on or before September 1 or the date designated by the county commissioners if the option under paragraph (3) is exercised, file with the board an appeal in writing...”
- c. During our examination, we sampled Opinions and Orders previously issued by the Beaver County Board of Assessment Revision. In our sample, we noted multiple Opinions and Orders which quote language that is not according to the above mentioned legislation. For instance, one Opinion and Order states “53 Pa C.S. §8812 (a)(11), restrict tax exemption to real property used and occupied by the owner for its intended purpose.”, but that section of the legislation actually states, “All real property owned by one or more institutions of purely public charity, used and occupied partly by the owner or owners and partly by other institutions of purely public charity and necessary for the occupancy and use of the institutions so using it.” Furthermore, the property owner seeking exemption in this case is not a purely public charity.
- d. We examined notices sent to appellants who requested property tax exemption status, as deemed necessary in §8844 (e)(1) [*mentioned previously in 3.a.*]. There were several instances when a timely notice was not sent to the appellant, meaning notices were mailed less than 20 days preceding the appeal date.
- e. Opinion and Orders issued by the Beaver County Board of Assessment Revision are meant to be presented to applicable taxing jurisdictions no later than the date the Certified Tax Roll is due (November 15). All appeal decisions reached by the Beaver County Board of Assessment Revision that we examined were confirmed by the courts after the November 15th deadline; occasionally well into the year the applicable revised assessment was for. This not only intrudes upon pertinent law, it also disrupts the affected taxing jurisdictions’ budgeting process.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

3. *Compliance with Title 53, Chapter 88 – Consolidated County Assessment Law (cont.)*

Description of Condition (cont.):

- f. We examined the assessed value of land for fifteen contiguous properties and did not find that the legal objective to “accomplish equalization with other similar property within the county” (Consolidated County Assessment, ¶8842.(b)(1)(ii)) was achieved. All but one property shared the exact same acreage value among them. Three of those fourteen properties fell outside of the land valuation pattern recognized in the remaining eleven properties. The other property was close to three times the size of the others and its assessed value was less than any of the fourteen properties smaller in size. Please see Exhibit A for assessment information on these properties.

Cause of Condition:

The Office has not thoroughly considered the implications of applicable real estate assessment statutes.

Effect of Condition:

Property owners and other interested parties are not receiving equal treatment under the Assessment Law. Also, even isolated instances of non-compliance with the Assessment Law may leave the Office and the County facing undesirable consequences.

Recommendation:

That the Office in conjunction with the County Law Department or outside legal counsel design and implement a system of tracking and monitoring the Office’s compliance with applicable laws, regulations, and the provisions of contracts.

4. *Bankruptcies – Tax Claims*

Background:

During November 2014 we searched the Tax Claims database of properties and found that 443 properties were coded “B”, meaning that owners were supposedly undergoing bankruptcy proceedings. The total balance of taxes outstanding for these properties amounted to \$2,726,903 with individual property balances amounting to between \$2.33 and \$138,320.94. Properties placed in bankruptcy court are legally protected from tax sale proceedings and, as a consequence, Tax Claims does not place “B”-coded properties for any of their sales.

Description of Condition:

We selected twelve properties coded “B” with delinquent tax balances ranging from \$23,871.94 to \$109,783.11 and researched bankruptcy court documents that involved them. We found that:

- a. Bankruptcies involving nine of the twelve properties had long been discharged, one as early as 2005. The approximate value of taxes owed for these properties is \$281,000.
- b. One of the properties did not have a tax lien certificate on file (Form B10). A form B10 is filed with a bankruptcy court to state the basis and type of a creditor’s claims.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

4. *Bankruptcies – Tax Claims (cont.)*

Description of Condition (cont.):

It should also be noted that during early 2014 an owner with several “B”-coded properties was found to have been out of bankruptcy proceedings for approximately ten years. During that time none of the affected properties were subjected to any of the tax sales.

Cause of Condition:

The Office has not fully considered the implications of reasonably tracking bankruptcies involving properties in Tax Claims.

Effect of Condition:

Tax collections could be delayed or completely foregone when not effectively following bankruptcies. Equitable treatment of all taxpayers under the law is not achieved.

Recommendation:

That the Office consider the need for specialized, dedicated counsel to track and further manage the treatment of Tax Claims’ properties involved in bankruptcies.

5. *Compliance with Pennsylvania Real Estate Tax Sale Law – Act of July 7, 1947, P.L. 1368, No. 542, Cl.53*

Background:

Pennsylvania Tax Claim Bureaus are bound by certain laws governing the tax collection and sale process of properties with delinquent taxes. The Pennsylvania Real Estate Tax Sale Law, Act of July 7, 1947, P.L. 1368, No. 542, Cl. 53 details the provisions and requirements of this process for all counties in the Commonwealth of Pennsylvania.

Description of Condition:

During the period examined, we have noted several findings related to the above mentioned law:

- a. There were at least five properties stayed from the Upset Sale held on September 8, 2014, for the stated reason of “Administrative Stay” and at least two of those properties were stayed with an additional note of “Due to Low Balance”. An “Administrative Stay” is a discretionary measure by the Office to withhold a property from sale which otherwise would have been exposed to a real estate tax sale. The aforementioned law does not provide for discretionary measures of a Tax Claim Bureau to withdraw properties from sale proceedings. Furthermore, 34 properties were exposed to sale on that date with a lower delinquent tax balance than those stayed from the sale “due to low balance”.
- b. In addition to the properties noted above at 5.a., the Office routinely grants “Administrative Stay” to properties expected to receive exemption, exoneration or otherwise a favorable ruling upon appeal.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

5. *Compliance with Pennsylvania Real Estate Tax Sale Law – Act of July 7, 1947, P.L. 1368, No. 542, Cl.53 (cont.)*

Description of Condition (cont.):

- c. Section 309(e) of the above mentioned law states “That due notice of the returns of such taxes, the entry of the claim and that the same would become absolute, if no exceptions were filed, was given to the owner or posted on the property in a manner required by law.” This statement is supposed to be stated on the claim dockets, however it does not appear on the dockets. The last portion of Section 309 also states that “Said claim shall be entered in the office of the bureau in the proper claim docket and be signed by or have stamped thereon a facsimile signature of the director.” Neither the signature nor the facsimile signature is found on the claim dockets.
- d. There were at least two instances in the testing period, where Section 608 of the above mentioned law was not completely followed. Section 608 clearly states the following: “After the court has confirmed the sale and the purchaser has paid the amount of his bid, it shall be the duty of the bureau to make to the said purchaser, his or their heirs or assigns a deed in fee simple for the property sold. Each such deed shall be in the name of the bureau as trustee grantor and shall be executed and duly acknowledged before the prothonotary by the director and a notation of such deed and acknowledgment shall be duly entered on the proper records. The deed shall, before delivery, be recorded in the office for the recording of deeds at the cost of the purchaser.” In the two occurrences, the deed was recorded (“made”) before the Court confirmed the sale.
- e. Section 601(d) states the following: “No individual whose landlord license has been revoked in a municipality pursuant to its ordinance may purchase property in the county in which the local municipality is located at a tax sale under this act. Every person bidding for property to be sold at a tax sale under this act must certify that they are not bidding for or acting as an agent for a person who is barred from participating in a sale under this subsection. Pursuant to this subsection, a municipality shall furnish to the county in which such municipality is located, within forty-eight (48) hours in advance of a tax sale, documentation relating to landlord license revocations pursuant to municipal ordinance.” We did not find evidence supporting enforcement of this section of the law. We observed the actual Upset Sale of 2014 and did not hear this being asked to the potential bidders. We also examined receipts and bidder forms and did not observe any statements related to the above mentioned section of the law. Also, Tax Claims does not request municipalities to provide information about landlord license revocations.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

5. *Compliance with Pennsylvania Real Estate Tax Sale Law – Act of July 7, 1947, P.L. 1368, No. 542, Cl.53 (cont.)*

Description of Condition (cont.):

- f. Section 306(a) of the above mentioned law states the following: “It shall be the duty of each receiver or collector of any county, city, borough, town, township, school district or institution district taxes to make a return to the bureau on or before the last day of April of each year, but no earlier than the first day of January of that year. The return shall be typewritten on a form provided by or acceptable to the county and shall include a list of all properties against which taxes were levied, the whole or any part of which were due and payable in the calendar year immediately preceding and which remain unpaid, giving the description of each property as it appears in the tax duplicate, and the name and address of the owner as it appears in the tax duplicate, together with the amount of such unpaid taxes, penalties and interest due to but not including the first day of the month following the return. Such return shall be accompanied by a signed affidavit that the return is correct and complete. Interest shall be charged on taxes so returned from and after but not before the first day of the month following the return. Interest shall be charged at a rate of nine per centum (9%) per annum.” We observed instances of two points mentioned in that section of law that Tax Claims has not followed. First, the County’s Tax Collector does not provide Tax Claims with a signed affidavit accompanying the listing of delinquent taxes, stating that the return is correct and complete. Second, the County’s return of delinquent taxes does not list the descriptions of each property as they appear in the tax duplicate. All other returns examined (as submitted by school districts and municipalities) appeared to be in compliance with this section of the law.
- g. One property was withheld from the 2013 September Upset Tax Sale for which the Office was unable to produce a reason for having it excluded from the sale.
- h. The Municipal Claims and Tax Lien Law (MCTLL) allows taxing districts (or their third-party designees) to collect delinquent taxes on their own, without the assistance of the County’s Tax Claim Bureau. The same law enables these districts (or their third-party designees) to sell affected properties after following certain steps to enforce collection of delinquent balances. During the period of our examination, that was the case in Beaver County with, at a minimum, the following districts: City of Aliquippa, Aliquippa School District, Rochester Area School District (RASD), and Big Beaver Falls School District. We noticed that delinquent properties in these districts did not reflect balances due on the records of Tax Claims.

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Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

5. *Compliance with Pennsylvania Real Estate Tax Sale Law – Act of July 7, 1947, P.L. 1368, No. 542, Cl.53 (cont.)*

Description of Condition (cont.):

h. (cont.) A 2006 Commonwealth Court ruling (Pennsylvania Land Title Association vs. Stroudsburg Area School District) upheld the lower court’s ruling that a district’s choice to assign its claims to a third-party under MCTLL does not relieve it from its responsibility to make returns to the tax claim bureau as required under the Real Estate Tax Sale Law (RETSL). In one instance, for a property within the RASD, we found that a return was made to Tax Claims, but the delinquent amount was later removed from the Tax Claims database records. So, we have one case where Tax Claims erroneously removed a delinquent balance from its records. We have more cases where the delinquent tax is not reported by Tax Claims, but we do not know whether the affected districts fulfilled their responsibility to report the claims or not. Properties with balances due to the districts electing to pursue their own collection efforts are *not* subject to the tax sales pursued by Tax Claims.

Cause of Condition:

The Office has not thoroughly considered the implications of applicable real estate delinquent tax collection and sale statutes.

Effect of Condition:

Property owners and other interested parties are not receiving equal treatment under the law. Also, even isolated instances of non-compliance with the law may leave the Office and the County facing undesirable consequences.

Recommendation:

That the Office, in conjunction with the County Law Department or outside legal counsel, design and implement a system of tracking and monitoring the Office’s compliance with applicable laws, regulations, and the provisions of contracts.

6. *General observations of the Tax Sales’ process*

Background:

We observed the September 2014 Upset Tax Sale (properties would be exposed to the sale if they had delinquent taxes outstanding from 2012), the November 2014 Continued Upset Tax Sale (properties that were held from the September sale by way of Court Order or other reasons), and the December 2014 Judicial Sale (properties that held delinquent taxes from 2011 and were exposed to a prior Upset Sale).

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

6. *General observations of the Tax Sales' process (cont.)*

Description of Condition:

During our observation, we have noted the following:

- a. It was witnessed as well as stated to us by Office personnel that delinquent taxes could be paid up until the time a specific parcel's bid came up. The sale listing is in numeric order starting with taxing district 01 and ending with taxing district 78. In essence, properties categorized in higher-numbered taxing districts have more time to pay off their delinquent taxes than properties in the lower-numbered districts.
- b. In the advertisement listed in the Beaver County Times and Beaver County Legal Journal, Tax Claims listed the terms of the observed sales. In the advertisements, under the terms of the sale it states, "Total sale price must be paid by cash or certified check immediately after bid is accepted." On the morning of the sales, the Chief County Assessor, (the Office's Director), mentioned that an Attorney's Escrow check is also an additional acceptable form of payment.

Cause of Condition:

The Office does not reasonably plan to provide for an equitable auction-based sale process.

Effect of Condition:

When some property owners are given a longer amount of time to pay their delinquent taxes, it could denote favoritism to those properties categorized in higher-numbered taxing districts as well as allow those individuals to save their property from sale, while others, would have to see their property exposed to sale and possibly having it sold. Also, when leaving out the form of payment "Attorney's Escrow check" from the advertisement, potential buyers are prevented from attending the auction if they were unaware of that form of payment being accepted.

Recommendation:

We recommend that the Office no longer accept payment for delinquent taxes after the designated start time of the auction so as to remove the inherent inequity from varying deadlines among the several taxing districts. We also suggest the Office explore the possibility of accepting electronic payment for delinquent taxes and for purchases at tax auctions. Various other counties throughout Pennsylvania accept electronic forms of payment via their County website, or in person at the Bureau's location. Electronic forms of payment could not only produce more interested buyers at the auction, but also provide for a more efficient sale process. Having an option to pay online could likewise reduce the number of properties exposed to sale.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

7. Unclear payment receipts issued for delinquent tax payments

Background:

Tax Claims provides a receipt upon collection of monies for delinquent tax payments. If payment is tendered in person at Tax Claims' location, a copy of the receipt is distributed to the customer. If payment is received via mail, a copy of the receipt is mailed to the owner's address on file.

Description of Condition:

Throughout our examination period, we sampled and observed many receipts. The way information is displayed on the receipts is rather confusing. Payments made are separated by taxing district (County, Municipal, School), by type (principal, penalty, interest) and further by the tax year they are due for. Total costs paid are, however, displayed only as a lump sum. Under the total costs paid amount is a line showing the "total remittance". A total amount still due is also shown, but it is not at all segregated by year, taxing district or type. See Exhibit B for an example of a receipt issued for payment of delinquent taxes.

Cause of Condition:

The Office has not fully considered the implications of not adequately displaying information on receipts for payments of delinquent taxes.

Effect of Condition:

Property owners might be confused as to how much, if anything, they still owe after making a payment. Further, based on the receipt, they cannot determine the nature or type of costs paid. Lastly, for payments made by mail, a time lapse may make the amount displayed as still due on the receipt outdated. This general lack of clarity was cited as a contributing factor in the opinion of Judge Leavitt granting the appeal in Commonwealth Court of Eileen Battisti, which overturned the sale of a property in the County's September 2011 Upset Tax Sale (case No. 733 C.D. 2014, argued November 13, 2014).

Recommendation:

We recommend that Tax Claims update their receipts to a format of the type as shown in Exhibit C. Tax Claims should also segregate the costs paid by type so that property owners, auditors, or other interested parties can identify exactly how payments are applied and what types of debts are still outstanding for a given property, if any. We also believe Tax Claims should add a statement about an installment payment agreement. Such statement can be as simple as, "If total amount still due is not paid by __ (date) __, your property will be exposed to sale, unless an installment payment agreement is entered into by __ (date) __. An installment payment agreement can be entered into if a \$25 fee and 25% of all amounts due at the time are paid and additional installments of 25% of the total due are made every three months."

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

8. Inadequate fees charged

Background:

Tax Claims is responsible for accepting agreements and collecting the corresponding fee for an agreement to pay delinquent taxes in up to four installments. The fee for the application is \$25 and it is payable with the first installment payment.

Description of Condition:

It was observed that one property was charged \$24 for the installment agreement instead of the publicly displayed \$25. Additionally, we observed seventeen property transactions involving an installment payment agreement without recorded documentation of the application fee being charged. Office personnel were unable to demonstrate that the application fee was charged to these seventeen properties.

Cause of Condition:

Tax Claims has not fully planned and implemented a system of pricing to reasonably ensure fair and equitable charges.

Effect of Condition:

Errors can occur and go undetected.

Recommendation:

We recommend Tax Claims set prices in their system instead of hard keying them in. This way the likelihood of error is reduced and discounts cannot be arbitrarily handed out.

9. Necessary changes in recorded assessments due to construction/demolition

Background:

Assessment differentiates properties under construction/demolition in their computer system by coding them to track regulatory provisions specific to properties erecting new structures or remodeling or demolishing existing ones. Title 53 General Assembly, Chapter 88 – Consolidated County Assessment Law permits properties to retain pre-construction assessment values for as long as physical changes take place or 30 months, whichever time is less.

Description of Condition:

During the period examined, we observed several instances when certain laws and internal policies governing the property assessment functions were not followed by Assessment. The instances are detailed below:

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

9. *Necessary changes in recorded assessments due to construction/demolition (cont.)*

Description of Condition (cont.):

- a. We observed at least thirteen properties that were under the construction land use code for over thirty months and assessment values did not change all along that time. According to Section 8813 of Title 53, Chapter 88 – Consolidated County Assessment Law and as confirmed by Assessment personnel, the Field Assessors are supposed to conduct subsequent field reviews once construction code has been applied to a given property and then they will be periodic after that. These properties were also issued a building permit by the resident municipality after the last field inspection (i.e. the property was issued a building permit during May 2013, but the last field inspection, according to the Assessment database, was in 2008).
- b. We observed at least eighteen properties that were under a construction land use code from 2011 until at least August 25, 2014, and, based on an analysis of other evidence it appears that these properties should have had the construction land use code removed prior to the end of our observation period. None of these properties received a field inspection since 2010 or prior (based on data input in Assessment’s computer system) nor have they received a reassessment since 2009 or prior. According to the Assessment Law, properties can be assessed with pre-construction values for the lesser of (a) the time the property is under construction or (b) 30 months.
- c. There were seven properties that based on a comparison of images on the County’s Geographic Information System (“GIS”) and much later images on Google Maps (Google Maps images were taken about three years after the GIS images were taken) it appears that construction or demolition was completed and the property has not been reassessed to reflect the change in status. Only one of the above mentioned seven properties received a field inspection from a Field Assessor since 2011. The remaining six properties had a noticeable change in their structures when comparing the 2009 GIS images to the 2012 Google Maps images. However, they did not have a field inspection performed nor were they reassessed in the 2009 to 2012 timeframe.
- d. Several other properties were examined that were coded under construction for over 30 months without any indication of field inspections or assessments being performed during that time and afterwards.

Cause of Condition:

Assessment has not fully planned, designed, and implemented a system to track the evolution of properties for purposes of reflecting true assessments, in accordance with current Assessment Law.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

9. Necessary changes in recorded assessments due to construction/demolition (cont.)

Effect of Condition:

Properties could reflect tax assessments that are not in accordance with their current physical presence. Consequently, tax collections may also differ correspondingly.

Recommendation:

We recommend that Assessment undertake a time study to determine the needs to perform assessments and field inspections in a more timely manner. A staff member should be charged with reviewing all properties under construction land use code at least once every six months so as to reasonably avoid incongruences between physical properties and their recorded assessment. As a consequence, the current Assessment Law would also be more reasonably complied with.

10. Signatures on receipt confirmations - Notice of Return and Claim

Background:

In accordance with Section 308 of the Pennsylvania Real Estate Tax Sale Law, Act of July 7 1947, P.L. 1368, No. 542, Cl.53, in the first year of delinquent taxes, a “Notice of Return and Claim” is sent by Tax Claims to property owners, informing the owners that Tax Claims has received a notice of their delinquent taxes and the property owners have one year to pay off the balance in full or the property will be exposed to Upset Sale. If the notice is not deliverable by postal authorities, the notice shall be posted on the property. From July 1, 2013 until July 1, 2014, Tax Claims changed its operating system. The new system (the “New System”) was able to process all notices sent to property owners in an electronic format, rather than the paper format which Tax Claims had previously used. Since July 1, 2014, Tax Claims has reverted to its previous operating system (the “Old System”) and is again utilizing a paper format to process its “Notices of Return and Claim”.

Description of Condition:

During the time of the New System, the “Notice of Return and Claim” was processed electronically and later mailed to the property owners through the Postmaster of Beaver. When the notices were sent under the Old System, the notices’ receipt confirmations were returned to Tax Claims regardless of whether a signature was produced by the property owner or not. Under the New System a signature was required on the receipt confirmations before they could be returned to Tax Claims. When the receipt confirmations were returned to the Courthouse unsigned, the Postmaster requested that an individual in the Courthouse Mailroom sign the notices. After the signature was produced, the receipt confirmations were finally returned to Tax Claims, where personnel received the receipt confirmations observing a signature on them. Many property owners never actually received their “Notice of Return and Claim”, however Tax Claims assumed they all had based on witnessing signatures on the receipt confirmations. According to the above mentioned section of the law, if the notice is not signed (“received”) by the property owner, a posting is to occur on the affected property. Since Tax Claims assumed all notices were received by property owners that year, postings did not take place.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

10. Signatures on receipt confirmations - Notice of Return and Claim (cont.)

Description of Condition (cont.):

Tax Claims also missed the mailing of a second notice to these property owners, which is not a statutory requirement, but a consistent practice of Tax Claims.

Cause of Condition:

Tax Claims did not fully evaluate and test the New System to reasonably ensure compliance with established laws and practices prior to its implementation.

Effect of Condition:

Tax Claims did not follow statutory requirements and consistent practices while under the New System. Also, the affected properties' owners were not properly notified and this could result in legal action by owners and other interested parties against Tax Claims.

Recommendation:

We recommend Tax Claims and responsible Office personnel examine the signatures on all notices returned to Tax Claims to verify to the best of their ability that the signature is that of one of the property owners and not another individual. In addition, every system that is to be implemented should be thoroughly evaluated and tested.

11. Missing information on transactions reducing costs

Background:

When adjustments are made to delinquent balances in Tax Claims, the only individuals with the authority to conduct these changes are the Tax Claim Supervisor and the Chief County Assessor (who serves as the Office's Director). Adjustments are only made to property accounts if errors are discovered. An adjustment of costs is completely up to the discretion of the Tax Claim Supervisor or the Chief County Assessor.

Description of Condition:

During our examination period, there were at least three parcels that we noticed had a negative adjustment recorded. These adjustments reduced the total amount of costs due on the parcels. When a payment is made to a parcel's account, it would appear on the Tax Claims' database as a "positive transaction" with a receipt number. The Tax Claim Supervisor was questioned as to the reason for these negative adjustments. Furthermore, two of the three parcels with negative adjustments also received an "Administrative Stay" from the September Upset Sale due to a "Low Balance" (Mentioned above at 5.). The Tax Claim Supervisor was unable to provide a reason certain as to why these "negative transactions" occurred. There was a lack of paperwork and electronic notations to explain the adjustment. Additionally, supervisory personnel were unable to explain certain costs we questioned during our examination.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

11. Missing information on transactions reducing costs (cont.)

Cause of Condition:

Tax Claims has not fully determined the need for tracking transactions performed on property accounts.

Effect of Condition:

Erroneous and fraudulent adjustments to property accounts can occur without them getting noticed and without a trail that enables an explanation for any transaction posted. When tracing is performed by auditors or other interested parties, speculation can arise as to the reason behind these transactions.

Recommendation:

We recommend that Tax Claims document all of its activities. If the current system does not allow for notations on transactions, Tax Claims should consider something as simple as Microsoft Word software to document explanations, reasons, or codes needed to identify every transaction posted.

12. Inaccurate listing of properties - "Repository of Unsold Properties"

Background:

Properties with a delinquent tax balance that are not part of an installment payment agreement or are otherwise protected by other legal measures will be subjected to an auction-style tax sale called the Upset Sale. Properties not receiving bids for purchase at the Upset Sale will be exposed to another auction-style tax sale called the Judicial Sale the following year. Properties can also be purchased through a process called Private Sale that can take place any time between the Upset Sale and the Judicial Sale. If the property is not sold at the Judicial Sale, it will be placed in the "Repository of Unsold Properties" (the "Repository"), which consists simply of a listing of properties with delinquent taxes outstanding that have not sold all the way through the Judicial Sale. Properties in the Repository are available for purchase by the public by placing a reasonable offer with Tax Claims.

Description of Condition:

During the period examined, we observed 46 properties in the Repository with no outstanding tax balance. All properties in the Repository should have a balance due because a property without delinquent taxes should no longer be under the jurisdiction of Tax Claims. When this issue was brought to the appropriate personnel's attention, it was stated that routine maintenance is not conducted on the properties in the Repository, but that the 46 properties are incorrectly listed there. Also, we noticed a property listed in the Repository since 1994 that is assessed with buildings, but both GIS (images from 2009) and Google Maps (images from 2012) show the property without structures.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

12. Inaccurate listing of properties - "Repository of Unsold Properties" (cont.)

Cause of Condition:

Tax Claims does not perform prudent routine maintenance on the listing of properties in the Repository.

Effect of Condition:

Neglecting maintenance on the Repository may have the following undesirable consequences, among others:

- Listing properties as available for sale, when in fact they are not;
- The balance of delinquent taxes due to Tax Claims may be misstated;
- Public interested in purchases from the Repository may be spending resources on erroneous information.

Recommendation:

We recommend Tax Claims perform routine maintenance on the Repository. We recommend that at least every six months, Tax Claims prepare a report of properties in the Repository and verify whether the balances listed are correct or not. Properties that accurately do not carry a tax balance should be removed from the list. Properties whose owners are actively paying off delinquent balances should also be removed from the Repository to avoid exposing the property to an interested buyer. Finally, designated Office personnel should randomly select properties from the assessment database throughout the year and compare the image available on Google Maps to the recorded assessment data. If differences arise during this examination, the property should be reviewed by a Field Assessor.

13. Properties applying under the Homestead Exclusion Tax Relief Act

Background:

The Commonwealth of Pennsylvania introduced the Taxpayer Relief Act, Act 1 of Special Session, on June 27, 2006 ("Act 1"). The Act provides for a property tax reduction allocation to be distributed by the Commonwealth to school districts. The property tax reduction is more commonly referred to as "Homestead or Farmstead Exclusion" (the "Exclusion"). Only a primary residence is eligible for the exclusion and generally most owner occupied homes (and farms) are eligible for the property tax reduction.

Description of Condition:

To abide by the part of Act 1 that states only a primary residence is eligible for the exclusion, Assessment will run an alphabetized list of all the current and previously approved Exclusion applications to determine if the same name appears on more than one parcel. Assessment will not approve applications with names identical to those on other current applications or those of previously approved applications. Denied applicants are given the opportunity to come in with proper personal identification to verify their primary residence, and, if legitimate, Assessment will make a name distinction on its operating system.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

13. Properties applying under the Homestead Exclusion Tax Relief Act (cont.)

Description of Condition (cont.):

We performed a test to verify this information and we discovered 42 instances where a particular name was benefitting from the Exclusion on two separate parcels. Assessment reviewed these names and subsequently determined that 23 parcels were erroneously granted the Exclusion.

Cause of Condition:

Assessment did not fully assess the implications of administering Exclusions.

Effect of Condition:

Among others, the following are possible consequences of not properly administering Exclusions:

- Assessment is not abiding by the part of the Act that states only one primary residence per owner is eligible for the Exclusion.
- Affected school districts are not receiving the tax revenue they are entitled to receive according to current law.

Recommendation:

We recommend that Assessment work with the County's Information Technology Department to develop a program that lists duplicate names instead of an alphabetized listing of all property owners. The process of spotting duplicate names will become much more efficient and less prone to errors.

14. Non-supported bank deposit for Tax Claim Bureau

Background:

Tax Claims will deposit funds on the day following their collection. Each clerk will total his/her own collection and the Tax Claim Supervisor will separately deposit each clerk's collected funds. The clerks will use a tape register to individually list the funds collected and then prepare a bank deposit slip. The Tax Claim Supervisor will subsequently recalculate the totals before depositing the previous day's collection with the bank.

Description of Condition:

One day in June of 2013 a bank deposit exceeded the total recorded activity by \$4,405.62. Additional activity recorded in the Tax Claims database was reviewed, but we were unable to reconcile the above mentioned variance. Tax Claims personnel were also unable to explain this occurrence.

Cause of Condition:

Tax Claims does not properly review and document its activities.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

14. Non-supported bank deposit for Tax Claim Bureau (cont.)

Effect of Condition:

Tax Claims could be erroneously reporting properties' transactions and/or bank deposit activity.

Recommendation:

We recommend Tax Claims design and implement a system of documented reconciliation and review to reasonably ensure that:

- All transacted activity is posted to the right property;
- No erroneous transactions are posted to property accounts;
- Deposits amounting to exactly any given day's cash collection are made in a timely fashion.

15. Inadequate assurance of accuracy involving quarterly disbursements made to taxing districts

Background:

Tax Claims is responsible for producing quarterly disbursements to the appropriately owed taxing districts in accordance with the Pennsylvania Real Estate Tax Sale Law, Act of July 7, 1947, P.L. 1368, No. 542, Cl. 53. The Tax Claim Supervisor (the "Supervisor") is the individual responsible for this task.

Description of Condition:

It was observed that when quarterly disbursements are made to the taxing districts, the Supervisor will produce a report from the mainframe operating system, make adjustments if needed (such as adjusting for a bad check or Clean and Green Rollback calculation interest), and then the amounts, determined only by the reports' output, will be processed for payment. No other review procedures are performed. The Supervisor relies solely on what the program and report will produce. Additionally, Section 205c.1 of the above mentioned legislation states, "It shall then be the duty of the bureau to distribute the entire remaining balance of the moneys collected, except moneys collected through any tax sale under the provisions of this act, to the taxing districts at least once every three (3) months in proportion to the taxes due each taxing district." While observing the payment schedule in the County's financial system, it was noted that this stipulation of the law was not followed precisely. Payments were often made in a time period longer than the three month interval mentioned in the law.

Cause of Condition:

Tax Claims believes that what is input in the system is what the report will produce and those amounts are the accurate amounts owed to the taxing districts.

Effect of Condition:

Without a thorough test of the system processing Tax Claims' receipts, errors could occur and go undetected.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

15. Inadequate assurance of accuracy involving quarterly disbursements made to taxing districts (cont.)

Recommendation:

We recommend that Tax Claims at a very minimum compare the bank deposits for the quarter to the report issued by the mainframe system to ensure reasonable assurance of accuracy to what the report is issuing. Additionally, we recommend moving to a monthly disbursement schedule so as to adhere to the above mentioned legislation.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

Below are general recommendations we came up with after a review of the overall operations of the Office:

1. *Audit of the Overall System and Process* – The current system of Assessment has been in place for approximately 32 years. During that time it has not been subjected to an audit by independent experts in the field of assessments in accordance with the Consolidated County Assessment Law. In addition to the findings noted above, we observed the following:
 - a. Approximately 53% of the current assessment records include property data that is noted as “estimate”. Another approximate 22% of records do not indicate the source of the data input.
 - b. Several properties had input data variables disproportionate in comparison with the size of the property when compared to the average in the Assessment database. For instance, we noticed some large homes with less estimated rooms and bathrooms than their much smaller counterparts.

We strongly recommend a specialized examination of Assessment. The same can be said about Tax Claims.

2. *On Notice of Return and Claims (First official notice submitted by Tax Claims to owner of record)* – Add a statement onto the Notice indicating an option to enter into an installment payment agreement, detailing the terms, including minimum required amounts to be paid. Also state that if an installment agreement is entered into, it will stop the sale process, as long as terms of the agreement are followed.
3. *During Upset and Judicial Sale Process* – Compile an electronic database (i.e., Microsoft Excel) that tracks how much money (cash and checks) was received for each parcel, how much change is due for that individual, and how much money is accumulated throughout the day. This system will help tracking the money received in case of a misplacement or unforeseen event. This system can work in conjunction with the register tape currently used. If a mistake is made, it will be noticed right away, instead of at the end of the day or possibly later.
4. *Accuracy of Parcels’ list* – Compare the parcels on the Assessment database against the parcels listed on Tax Maps. Ensure that both include only valid parcels and that all current, legally established parcels are accurately stated.
5. *Internal Controls over Misappropriation of Assets* – We observed on at least one occasion when only one clerk was physically present in the Office. This clerk was on duty to collect funds for the sale of services (tax maps, certifications, lists, etc.). It is a prudent practice of internal control to always have at least two clerks available at any given time to diminish the potential incentive to embezzle funds.

The Office of Assessment and Tax Claim Bureau
Summary of Findings
For the period January 1, 2012, through June 30, 2014
Current Observations and Recommendations (continued)

6. *Court Opinions* – Interested parties occasionally appeal to the Court of Common Pleas for properties to be withdrawn from a tax sale for varying reasons. We reviewed a Court Order to stay certain properties from the September 2014 Upset Tax Sale. The “petition to stay/continue tax sale” as drafted by the taxpayer stated that “since the amount of the delinquent tax was made known to the taxpayers in July, 2014, they have begun the process to come up with a plan to address the delinquencies. However, due to the large tax burden, the relative quick time that the County is seeking to collect multiple tax years in one proceeding under circumstances that the taxpayers are being asked to repay that multiple tax burden based upon a notice and payment/upset sale process that normally seeks collection on a yearly basis after at least a two year cycle which provides advance notice of a delinquent obligation, the taxpayers are in need of continuance of the September 8, 2014 Upset Tax Sale of the properties.” We observed evidence of the affected party receiving notice of taxes due on a yearly basis. However, Office personnel were not present during the hearing to present that testimony. We suggest the Director or other personnel attend all court hearings to provide for the opportunity to present evidence.

7. *Property Tax Exemptions* – We recommend the Office more closely monitor the process involving tax exemption appeals. We physically observed hearings and additionally reviewed documents evidencing prior tax exemption appeals and found the following:
 - a. Several applicants did not list the reason(s) for their appeal. Only specific, statutorily permitted circumstances, allow certain property owners to have property exempted from taxation.
 - b. Other applicants were observed to not demonstrate the section of law under which they were applying for tax exemption. It does not suffice for an owner to be a certain type of entity (i.e., a government or a charitable organization) to claim tax exempt status, the property’s intended use must qualify under the law as well.
 - c. One property was physically observed approximately one year after having tax exempt status granted that did not appear to fulfill any use under the law to qualify as such.

8. *Electronic Forms of Payment* – We observed that a number of other Pennsylvania counties accept electronic forms of payment via their County website or at office locations. We recommend the Office research the feasibility associated with a system of this nature. Implementing an electronic payment system could lower the number of bad checks as well as the number of parcels subjected to tax sales.

Exhibit A

<u>Property</u>	<u>Use Type</u>	<u>Acreage</u>	<u>Site Characteristics</u>			<u>Assessed Value</u>
			<u>Topography</u>	<u>Street</u>	<u>Utilities</u>	
0205.000	Residentia	0.8	LW	PV	ALL	12,900
0206.000	Residentia	0.8	LW	PV	ALL	6,600
0207.000	Residentia	0.8	LV	PV	ALL	6,600
0208.000	Residentia	0.8	LV	PV	ALL	6,600
0209.000	Residentia	0.8	LV	PV	ALL	7,000
0210.000	Undevelop	0.8	LV	PV	ALL	6,600
0211.000	Residentia	0.8	LV	PV	ALL	12,350
0212.000	Undevelop	0.8	LV	PV	W G E	6,600
0213.000	Residentia	0.8	LV	PV	ALL	6,600
0214.000	Residentia	0.8	LV	PV	ALL	6,600
0215.000	Residentia	0.8	LV	PV	ALL	9,250
0216.000	Undevelop	0.8	LV	PV	W G E	6,600
0217.000	Residentia	0.8	RL	PV	ALL	6,600
0218.000	Undevelop	0.8	RL	PV	ALL	6,600
0219.000	Undevelop	2.3	LV RL	PV	ALL	5,000

BEAVER COUNTY TAX CLAIM BUREAU
 BEAVER COUNTY COURTHOUSE - BEAVER, PA 15009
 PHONE: 724-728-5700

RECEIPT

343060 DATE 08SEP14

BUREAU COPY

01 OF 01

PARCEL NO.

OWNER OR REPUTED OWNER

RECEIVED OF

In PART payment of Claim as entered against the Property in the name of owner or reputed owner as indicated above, for those taxing districts as certified from the record of the Beaver County Tax Claim Bureau.

YEAR	2011	2012	TOTAL
COUNTY PRINCIPAL		871.35	871.35
COUNTY PENALTY		87.14	87.14
COUNTY INTEREST		111.18	111.18
BORO PRINCIPAL		549.50	549.50
BORO PENALTY		27.48	27.48
BORO INTEREST		70.04	70.04
SCHOOL PRINCIPAL	686.49	2862.86	3549.35
SCHOOL PENALTY		286.29	286.29
SCHOOL INTEREST	15.45	364.99	380.44
TOTAL TAX PAYMENT			5932.77

COST SCHEDULE *

Pursuant to section 207 of Pennsylvania Real Estate Tax Sale Law

- Entry/Satisfaction of Claim **\$15**
- Record Review **\$10**
- Sale Prep **\$15**
- Agreement to Stay Sale **\$25**

* Other costs and charges made on an equitable and pro-rata basis

Parcel specific cost report available upon request

TAX CLAIM BUREAU *P* REMAINING BALANCE 4522.35

RECEIPT VALID UPON CLEARANCE OF CHECK #

TOTAL COSTS	296.00
TOTAL REMITTANCE	6228.77



TAX CLAIM BUREAU

Printed: 8/20/13 C Receipt No.: 335372
 13:28:07 Receipt Date: 8/20/2013
 Control Number: 6-049397 ** R E C E I P T ** Page: 1

Property Description:

LOT 17 B PL HS GR

BEAVER FALLS PA 15010

Location:
 0. 8 9TH AVE

Parcel No:

Tax Year	Description	Face	Penalty & Interest	Costs	Total
2011	CTY-BEAVER FALLS 6	245.31	53.97		299.28
2011	MUN-BEAVER FALLS 6	353.60	77.76		431.36
2011	COSTS			69.00	69.00
2011	SALE NOTICE POSTAGE			11.00	11.00
2011	ADVERTISING			70.00	70.00
2011	SHERIFF POSTING			125.00	125.00
2011	SALE NOTICE-PROOF			2.50	2.50
Received For Year Of 2011					\$1008.14

Tendered > CASH Total Received \$1008.14

Received By > K S

Paid By >

Remarks > P

Balance Due As Of 8/20/2013
 Claim Year: 2012
 Balance: 731.76

Received Valid Upon Clearance of Check Number

*Note about the option to enter an agreement

Receipt Number: 335372 Total Received: \$1008.14

Tax Claim Dockets

Print

New Search

Parcel	
Owner	
Owner Address	
Property Location	
Description	0.32 AC HS OB
NeighborHood	CENTER TWP
School District	CENTRAL VALLEY
Market Value - Total	\$35,100.00
Costs Balance	\$0.00
Delinquent Tax Balance	<u>\$2,636.53</u>
Total Due	\$2,636.53
Stay Of Sale	Agreement
Sale Date	09-08-2014
Valid Through	01-29-2015 06:15 PM
Show Detail ->	<u>Click Here for Detail</u>

RESPONSE TO SUMMARY OF FINDINGS

1. CASH TRANSACTIONS

As of and prior to this writing, the Beaver County Board of Commissioners directed the Chief Assessor to begin accepting and make appropriate change on the sale of items in the Assessment Office. Consequently, a \$100 till has been created and a bill/change drawer acquired. All signs denoting “exact change only” have been removed. Additionally, daily reconciliation is made to account for the till and collected monies through a rotating clerical schedule. Deposits of cash and their associated receipt is delivered to the Beaver County Treasurer’s Office daily for deposit into the general fund of the County. Clerical staff has been informed that each receipt must explicitly describe the item(s) sold and the monies tendered.

The auditor inaccurately claims that two transactions were made for less than list price. Review of the receipts identify the purchaser as a taxing authority or its representative. These entities are the very ones in which the Tax Claim Bureau represents. Accordingly, taxing authorities are notified at least annually, that they may purchase tax sale lists for the purpose of tax or lien collection for a fee of (\$5.00) five dollars.

The Chief Assessor believes and therefore states that the current manual system does provide an accurate account of daily collections.

2. PHYSICAL ITEMS

The Tax Claim Bureau strives to meet or surpass the minimum record retention requirements established by the Pennsylvania Historical and Museum Commission (PHMC). Consequently, properties sold at any statutory tax sale are permanently retained and are not expunged or otherwise destroyed. Likewise, any property, through its corresponding file, subject to the sale process from Upset to Repository will be permanently retained. The only records/files which could be destroyed, after 1 year would be those claims where delinquent taxes have been paid, discharging the entire claim.

Off-site storage at the Gateway Commerce Center storage facility has been undergoing a professional overhaul conducted by Beaver County Records Management and Archives. Consequently, this entity eliminated the prior filing system instituted by the Assessment/Tax Claim Office and has recently advised of a new more efficient filing and retrieval system. The office is currently preparing documents in required boxes and identifying for barcode purposes and delivery to the storage facility.

The Chief County Assessor had previously discussed the possibility of storing property files electronically with the Beaver County Records Management and Archives director. She had indicated that she has been working on an implementation schedule and would place the Tax Claim Bureau files as a priority.

3. CONSOLIDATED COUNTY ASSESSMENT LAW

Paragraph 3 a-e deals with and references the Beaver County Board of Assessment Revision. These paragraphs are beyond the scope, control and authority of the Chief County Assessor. These paragraphs would more appropriately be directed to the Board of Assessment Revision or its hearing master.

b) In as much as paragraph b would likely have resulted in an appeal being filed in the Assessment Office on behalf of the Board, please be advised, the Assessment Office does stringently comply with the appropriate filing dates for a grievance from the assessment/status. Consequently, a review of the claim that alleges an appeal was filed 20 days subsequent to the statutory deadline finds that the filing was not relative to the open appeal period, but, in fact, was timely filed as a result of a change of assessment issued the taxpayer on August 21, 2014 statutorily allowing the taxpayer to file an appeal within a forty day period pursuant to 53 Pa. C.S. § 8844.

d) In as much as notice to appear would have been prepared and sent by the course of action of the Administrative Assistant to the Chief Assessor on behalf of the Board of Assessment Revision in paragraph d, be advised the shortened notice period to appear was made at the request of the appellant and at direction of the hearing master.

f) With respect to paragraph f, a review of the fifteen contiguous parcels reveal prior Board of Assessment Appeals decisions were applied to some parcels. Consequently, be advised, the Board Decision does not constitute avenue to adjust value on contiguous parcels. Such an act would very likely constitute spot assessment which is an illegal act as defined at 53 P.S. § 8843. Additionally, this paragraph appears to imply that size and size alone constitutes or equates to value indication. Such is not the case and in the appraising and assessment field, size is only one of many characteristics which tend to indicate a viable estimate of value conclusion. Consequently, this paragraph f does not constitute an instance of non-compliance with any part of the Assessment Law.

4. BANKRUPTCIES

The Tax Claim Bureau codes certain parcels in bankruptcy upon notice by the taxpayer, taxpayer's attorney, Federal Bankruptcy Clerk, Trustee or any other source verbally or in writing. The code and consequently, the stay from further instance of harassment remains until such time that the Tax Claim Bureau is notified of the release of federal stay, by formal bankruptcy court notice confirmed by special counsel for the Bureau.

The form B-10 or claim is a required filing which must be made by government entities within 18 months of the bankruptcy filing. If the Bureau is not noticed timely then no claim can be made, although the Bureau would still be prohibited from violating the Federal stay.

The Tax Claim Bureau has had special counsel for several years and acts upon counsel directive. The Tax Claim Bureau is not legally qualified to interpret or determine the status of bankruptcy.

With respect to the noted bankrupt taxpayer, it should be further explained that no notice was provided by the Court, trustee or attorney that the bankruptcy was dismissed, discharged or otherwise released. As a matter of fact, the prior special counsel had advised the Bureau that the parcels were still in bankruptcy as late as 2003, the tenth year since the taxpayer initially filed. Since verification by special counsel that the bankruptcy was dismissed, the parcels were prepared and most subject to Upset Sale. Some parcels were removed pursuant to court order after Petition to Stay was presented to the Court of Common Pleas by the taxpayer.

Again, the Tax Claim Bureau has utilized the services of special counsel for several years. Respectively, current special counsel contends that the number and degree of bankruptcies is being reasonably traced and requires extensive participation in some cases which draws attention from others. Additionally, it should be further noted that the expense of special counsel is shouldered purely by the County and measurement should be made to determine the effectiveness of such expense in relation to potential collection.

Finally, taxing authorities are typically initially noticed, and some may or may not protect their interests by filing a Form B-10. Ultimately, most taxing authorities still file such bankrupt delinquent taxes with the Bureau without advising the Bureau of the bankruptcy. Consequently, further confusion and lack of notice must be sorted by the Bureau at the County's expense.

5. COMPLIANCE WITH PENNSYLVANIA REAL ESTATE TAX SALE LAW

a) Administrative stays are certainly permitted, if not required, should some instance arise where administration believes either notice or other reservation exists to question the integrity of the sale. Every effort is made by administration, within the confines of extreme time restriction to responsibly place parcels for auction. The distinction between the two parcels stayed administratively because of a low remaining balance and those 34 parcels with the auditor perceived low balances specifically relates to payment remittance. The 34 parcels auditor perceived as “low balances” reflect the actual tax and claims filed by the taxing authorities with no recent or questionable prior remittance. The two parcels cited by auditor with administrative stay were considered questionable due to prior remittance leaving a small balance subjecting the parcels to sale. The purpose of the administrative stay is to promote efforts of collection. The comparison here is not analogous to each condition. If administration would not be permitted to responsibly act to collect delinquent taxes and prohibited from exercising attempts to collect, surely additional costs of litigation and challenges would increase.

b) Please review the response in paragraph a.

c) Receipt of the claim for unpaid taxes by the taxing authorities in order to create dockets would not constitute or require such statement to appear because it would be false. The Tax Claim Bureau statutorily has until July 31 after claims are filed and docketed to provide such notice to the taxpayer. Consequently, such notice does appear in several notices becoming part of the files which constitute creation and reservation of the docket.

The director does sign or place a facsimile on each return from the municipalities and school districts which in turn become an inseparable part of the docket. Consequently, section 309 is strictly complied with.

d) The Tax Claim Bureau, as with any responsible entity required to create a deed of conveyance, surely has the ability to “make” deeds prior to court approval and recordation. These phrases are not analogous and pertain to different instances. The recordation date is that date the instrument is placed on the public record and always subsequent to the court confirmation.

e) The Pennsylvania Real Estate Tax Sale Law does not require nor obligate the Tax Claim Bureau to seek municipal codes or ordinance relative to landlord licensing nor does the Pennsylvania Real Estate Tax Sale Law establish any enforcement authority upon the Tax Claim Bureau over the municipality or the prospective landlord/bidder. Consequently, if no such situation is reported, then no action is required by the Tax Claim Bureau.

f) It is certainly admitted that the collector of real estate taxes for Beaver County does not provide signed affidavit accompanying the return of unpaid County real estate taxes. Such return is made electronically and “rolled” into the Tax Claim Bureau through electronic files, where such claims are compared against the assessment files for description and create such description on the Tax Claim Bureau files.

g) It is admitted that a property was erroneously omitted from the 2013 September Upset Sale. Unfortunately, the Tax Claim Bureau was then utilizing a software system which was ultimately deemed unfavorable and unreliable in promoting and servicing the requirements of the Tax Claim Bureau. An apparent code provided by the vendor’s software, was inadvertently missed. It is believed that the parcel has since been subject to a subsequent tax sale.

h) The Rochester Area School District had inadvertently neglected to inform their local tax collectors, as well as, the Beaver County Tax Claim Bureau that they had contracted with a third party collector to pursue delinquent and unpaid school taxes beginning with the 2012 and subsequent year school claims. The tax collectors filed claims, with affidavits from the school administration for creation of dockets with the Tax Claim Bureau for collection. Taxing districts are notified that should they contract with third party collectors pursuant to the MCTLL, they are required to advise the Tax Claim Bureau and to file their claims separately with the Tax Claim Bureau pursuant to case law.

Because of the confusion created by the Rochester Area School District, the Bureau had been collecting unpaid claims pursuant to Pennsylvania Real Estate Tax Sale Law. The school business manager and solicitor for the third party collector demanded that all outstanding claims be removed from the collection process of the Pennsylvania Real Estate Tax Sale Law and the Rochester Area School district would submit a separate remaining balance of outstanding claims which were to be collected by their third party collector. In any case, the Beaver County Tax Claim Bureau is entitled and does continue to collect a 5% commission from the Rochester Area School District on collection activity provided by the Rochester Area School District third party collector.

The Rochester Area School District claim was not erroneously removed but was placed in a separate category where the Beaver County Tax Claim Bureau is not pursuing collection because the Rochester Area School District has contracted with a third party collector pursuant to the MCTLL.

6. TAX SALE PROCESS

- a) The purpose of the Pennsylvania Real Estate Tax Sale Law and the function of the Beaver County Tax Claim Bureau is to collect delinquent and unpaid real estate tax claims on behalf of the affected taxing authorities. The effort of the Tax Claim Bureau to accept payment up until the property is “struck down” by successful bid is surely, at a minimum, established by case law. To refuse payment from a taxpayer where the property has not been sold pursuant to the Pennsylvania Real Estate Tax Sale Law should certainly be viewed as an act not permissible by government and would surely generate litigious actions by taxpayers who would be refused from exercising their statutory right and obligation to pay their taxes.
- b) The advertisement placed in the Beaver County Times and Beaver County Legal Journal is a summary of the terms of sale. The advertisement also incorporates statement that additional terms would be announced at the sale. However, in effort to attract potential buyers, the director will include the attorney escrow check provision, as a manner of payment, in the future advertisements.

7. UNCLEAR PAYMENT RECEIPTS

The Beaver County Tax Claim Bureau issues in excess of 20,000 receipts for payments annually. Issues regarding confusion in reading a receipt is not a common grievance by taxpayers and rarely result in an aggrieved appeal of taxpayer’s inability to comprehend. The receipts clearly identify the allocation of any payment as applied to costs, interest accrual, penalty, and taxes. The receipt plainly identifies a remaining balance if any. Staff members, supervisors and the Chief County Assessor are always available to address any taxpayer requests regarding discussion, concern or inability to comprehend, not only the receipt but also the entire docket.

However, in the interest of eliminating any confusion in receipts issued by the Tax Claim Bureau, the Director will meet with the County IT department in effort to rework, and redesign the receipt in order that all taxpayers might comprehend. The Director disagrees in the viability of adding the statement about an installment agreement on receipt. The installment agreement is only offered after a claim becomes absolute and prior to the parcel being subject to Upset Sale. Installment agreements are not available for a claim year and not available after Upset Sale. To globally add such statement would surely create and cause extreme confusion and probable litigious actions.

8. FEES

Rarely, but unfortunately, mis-keying of data does occur. However, it is corrected upon discovery. In effort to minimize the potential of mis-keying information, the Director shall contact the Beaver County IT department in effort to set prices in the Tax Claim Bureau system. Unfortunately, this set of 17 agreements appears to have been inadvertently missed in updating the electronic files. This issue will be addressed and should be eliminated with prices for such services preset in the system.

9. CONSTRUCTION/DEMOLITION

a) The coding system utilized by the Beaver County Assessment Office incorporates two primary review codes, 951 (residential), 952 (all other land uses). These codes do not necessarily depict construction/demolition permits and are used as impetus for review of the property because of suspected future physical change. Simply coding the properties as a 951 or 952 does not require an assessment change, nor does it require review within a 30 month period. One should read the note sections, if available, to the record coded in order to deduce whether further immediate or future action would be called by the assessor or supervisor. For instance, document 9a which identifies both the maintenance reason and note field prompting the review code results in future physical actions purportedly upon the parcel which would likely not affect value conclusion and would not be considered priority.

b) Likewise, document 9b under at least the note column describes subjective expectation that some action may occur in the future. It is most likely that the majority of this sample was not reported by building permit, but simply coded for the assessor or supervisor to determine future priority for review. However, to assure the status of the noted parcels, the Chief County Assessor will direct the field supervisor to physically review and determine an appropriate land use code.

c) As in 9a and 9b, supervision and field staff establish priority in coded records. A review of the note fields suggest that low priority was assigned because of the likelihood of no effect on assessed value. However, in the interest of accurately describing the current physical presence of improvements, the Chief Assessor has directed the supervisor to physically review these seven properties and ultimately revise their land use codes, if warranted.

d) The 951 and 952 coding requires priority decisions by supervision and staff request. It does not require field inspection if deemed unnecessary at any given time.

10. SIGNATURE CONFIRMATION

The Tax Claim Bureau personnel make every effort to determine appropriate signature. Alas, some subjective conclusion must still be made and accepted upon certain writing skills. This finding however, does further support the conversion back to the original system implemented by its director requiring hard copy signature cards to be returned to the Beaver County Tax Claim Bureau.

It should be noted that the postmaster did not request the mailroom signature on all returned and unclaimed notices, but instead, required such signature. Otherwise she threatened to withhold the returned notices. The Tax Claim Bureau was not immediately notified of this bizarre requirement.

11. TRANSACTIONS

Adjustments to the files are strictly and absolutely limited to administrative personnel authorization. Description of the condition identified here was the result of vendor activity within the new system. The vendor required such adjustments or corrections to the new system be applied by him. Unfortunately, through error or incompetence the vendor appears to have applied excessive costs through the addition of \$69.00 upon certain parcels incorporating 2 claim costs totaling \$30.00, 2 mailing fees totaling \$14.00, and a charge of \$25.00 representing posting activity. The vendor was advised these costs were in error and already added. In his attempt to correct he inadvertently removed costs from some parcels twice and neglected to remove those costs from others (his estimate was 700 or so parcels.) This finding further supports conversion to the original system used in the Tax Claim Bureau today which does allow and account for documentation of activities.

12. REPOSITORY OF UNSOLD PROPERTIES

Sales of property from the Repository of Unsold Properties require the approval of the affected taxing authorities to any prospective purchaser. The policy within Beaver County requires the purchase price at least equal to outstanding costs. Parcels which reflect a zero balance in tax claim and consequently in Bureau costs would obviously, therefore, not be eligible for purchase, regardless of whether they appear on the Repository list or not. The balance of delinquent taxes become irrelevant because the properties are divested of some taxes unless redeemed for the benefit of the record owner. Therefore, delinquent taxes are not misstated. However, in the interest of clarity the Chief County Assessor will direct that a parcel with zero balances be removed from the Repository List.

The Tax Claim Bureau does not warrant generally, title or other physical information regarding any property. Consequently, the public is advised that all purchases are made at the buyer's risk.

13. HOMESTEAD EXCLUSION

The certified list of approved applicants made to the 14 school districts in Beaver County relative to their 2014 – 2015 fiscal year included in excess of 44,000 parcels. The Assessment Office continuously revises this roll and reports changes to the affected school district on a monthly basis. Notice is sent to the school district as well as the taxpayer, allowing for appeal.

Approval for participation under Act 1 for the exclusion is conducted by review of applications, transfers, taxpayer contact and lists generated from existing approved parcels.

Duplicate names in and of itself is not a sole determining factor to reject or approve participation to the applicable section pursuant to Act 1. The names may be associated with other record owners who do qualify. At this point the director believes it is quite obvious that the current process for corrections or revisions on a monthly basis is appropriate, fair and equitable. Notice of the decision to revise or correct is sent to both the school district and taxpayer.

Approval or rejection for participation under Act 1 for the exclusion requires subjective deduction and decision making processes from the clerical staff. The fact that only 23 parcels required correction or revision from 44,000 participating parcels, certainly supports the capability and dedicated actions of the clerical staff. In the interest of aiding the required decision process, the IT department in conjunction with the Assessment Office has developed and implemented a program listing duplicate names for review of continued participation under Act 1.

14. BANK DEPOSIT

During the time period (June 2013) addressed by auditor, the Beaver County Tax Claim Bureau was running two systems parallel in effort to test the new system's ability to produce equal results established by the original system. (AS400)

Procedurally, payment remittances were to be initially locked into the new system and then a mirrored entry was to be applied to the AS400 to assure output was equal.

The payment of \$4,405.62 was locked in on the new system, however, the application of this payment was omitted on the AS400, by the Tax Claim clerk. When the runs were balanced on the following morning, the omission was discovered.

The check (\$4,405.62) was still sent to the bank with the full deposit from the clerk and the payment then properly applied on the AS400 for the next day.

This payment was not backed off or otherwise removed from the new system because the receipt and remittance amount was correct. The omission on the As400 was noted on the daily report for both days, 6/26/13 and 6/27/13.

Consequently, the deposit was made timely and the omission from a mirrored activity was promptly applied, albeit on the subsequent day, and noted.

15. QUARTERLY DISBURSEMENT

The Beaver County Tax Claim Bureau does advocate and in the past and now currently does compare bank deposits to its ledger and balances for disbursement. Unfortunately, with the implementation of the new system, the vendor was relied upon to conduct and report the systems ledger, which inevitably was not reported to Tax Claim Bureau in a timely manner.

Since the conversion back to the AS400 system, the Tax Claim Bureau has reinstated its past practice in comparing ledger to bank deposits in a timely manner. It is the intention of the Chief County Assessor to begin disbursements of monies collected to all taxing districts under a monthly schedule beginning this year.

GENERAL OVERVIEW RESPONSE

1. Since the county wide reassessment conducted for the 1982 tax year, multiple audits/studies have been conducted regarding the assessment system. All have been administered by independent experts in the field of assessments relative to the then titled Fourth through Eighth Class County Assessment Law.
 - a. Assessment Law and practice is premised upon a mass appraisal theory. In essence, “estimate” should in fact dictate a majority in field observation. The fact that 53% of the 91,630 total parcels is noted as “estimate” on the property records is not an indication of improper or incomplete description. In conjunction with the Assessment Laws, Pennsylvania Assessors must attain certification as an evaluator. Course instruction and education requirements established pursuant to Pennsylvania State Board of Certified Real Estate Appraisers does place emphasis on estimating not only value but data collection in a mass approach.
 - b. This statement is baseless with respect to the mass appraisal process. As stated earlier, size does not dictate value conclusion, and if the properties were not physically inspected by auditor, then the data input should be assumed correct.

However, it is admitted that the last county-wide reassessment for Beaver County was, in fact, 32 years ago. Consequently, inequities should be expected to have occurred. After all, valuation conclusions are reached in a system which has not been changed since then. Be advised, to update, revise or implement a new system would certainly qualify and demand a new reassessment of all properties in the County.

An estimated cost of reassessment for Beaver County is somewhere between 6 million and 8 million dollars. Likewise, the decision for reassessment of the County for ad valorem tax purposes is at the course of the Beaver County Commissioners.

2. The Chief Assessor disagrees with the auditor recommendation of adding phraseology regarding installment payment agreement to the return and claim notice. Such notice statutorily advises the delinquent taxpayer that, in fact, at least a one year grace period is granted to pay the claim. Addition of the installment agreement at this stage would likely create confusion and infer negation of the grace period. The installment agreement provision does appear on the sale notice, at least one year after the return and claim notice, affording the delinquent tax payer an additional year to formally enter into a payment arrangement pursuant to the Pennsylvania Real Estate Tax Sale Law.

3. The Chief Assessor will contact the County IT department to incorporate through the acquisition of another laptop PC, an Excel database which will correspond with monies collected at the various tax sales.
4. The Tax Map system is configured and implemented under a third party vendor. Assessment database parcels are, in fact, compared against the Tax Map system. With respect to parcels not visible on the tax map base, the third party vendor discovered an unnoticed issue with its bounding box when the box extends over a map boundary line. Upon this discovery, the number will now appear, so long as the bounding box is wholly within a specific map boundary.
5. The Chief Assessor will issue directive that a minimum of two clerks must be present in each office where funds may be collected. With respect to this issue, the Beaver County Commissioners created two part-time clerical positions which will aid in the implementation of this directive.
6. Neither the staff nor the Chief County Assessor possess license to act as attorneys at law. The Court is not conducting hearings when petitions are presented in motions court. Consequently, attendance by the Director or personnel is not meaningful. All notices of intention to present such petitions are made or should be made to the Beaver County Law Department. The Beaver County Law Department (or affected taxing authority solicitors) make decision whether to object to the presentation or not. Historically, the Beaver County Law Department has elected, in most cases, not to object and to counter the petition claim at a future hearing date to be established by the motions Judge.
7. As previously stated, the authority to permit, listen, attend and decide exemption appeals does not lie with the Chief Assessor, but only with the Board of Assessment Revision. The auditor position regarding listed reason for appeal, taxpayer demonstration of the property's intended use, and appearance of property use not fulfilling any allowable use should be addressed with the Board of Assessment Revision or its hearing master.
8. It is admitted that some counties do accept electronic forms of payment, but, it is believed a majority of the 67 counties do not. The Chief Assessor has researched feasibility, contribution to taxpayer convenience and added taxpayer cost and is not convinced that such form of payment would effectively increase collection activity by the Beaver County Tax Claim Bureau.

**The Office of Assessment and Tax Claim Bureau
Controller's Remarks to Office's Responses and Comments
For the period January 1, 2012, through June 30, 2014**

Below are presented the Controller's remarks to the Office's response and comments to this report. The remarks are numbered in the same order as the "Response to Summary of Findings" presented by the Office and included in pages 35 through 46 of this report package. These remarks are dated as of January 30, 2015.

1. Whereas the changes described by the Office may improve the accounting of daily collections, they do not address the controls over sales. Acts of embezzlement such as the one uncovered in 2014 are still reasonably viable in the absence of an accounting of items sold. Also, we were not made aware of the discounts made available to the taxing authorities when we were completing our audit and the discounts are not publicized on the Assessment price list.
2. Throughout the course of our audit, we were told by Office personnel that certain files were expunged and the documentation was not available. Furthermore, when examining some property folders in the Office, we could not find documentation that we were told by Office personnel should be located in those property folders.
3. b) We were unaware that the appellant was appealing an assessment value when observing the documentation because all other similar documentation reviewed was for a tax exemption request. Also, the appellant's application only had an appeal reason of "Township is tax-exempt as an instrumentality of the Commonwealth of Pennsylvania.", which does not explain that the appellant was filing an appeal for assessment purposes.
3. d) We were unaware the shortened notice period was requested by the appellant. There was no notation on the documentation we reviewed and no additional information was provided by the Office at the time of examination.
3. f) It appears that all properties in question were assessed at \$6,600 for land for the tax year 1982, when the last county-wide assessment took place. The only assessment appeals that we are aware of in this group of properties affecting land values since 1982 are for 0215.000 –bringing its value from \$6,600 to \$9,250- and for 0219.000 –bringing its value from \$6,600 to \$5,000. The assessed land values for 0205.000 and 0211.000 – the highest and second highest land-valued properties in this group, respectively- were apparently changed due to construction. These values are approximately 95% and 87% higher, respectively, than the mode value of \$6,600. The fifteen properties were physically inspected from their access street and they were reviewed with Google Maps. We found no visible difference that could account for the described differences in valuation.

The Office of Assessment and Tax Claim Bureau
Controller's Remarks to Office's Responses and Comments (continued)
For the period January 1, 2012, through June 30, 2014

4. We believe that legal counsel is needed in the advice as to whether to proceed or not with collection and/or sale efforts for specific properties, but not in the search of bankruptcy status once a property has been coded "B". The more practical approach in our view is to have Office staff research bankruptcy court documents (such as done by the auditor) and present the results for properties believed to no longer be involved in bankruptcy to legal counsel for advice. The fact that a source outside of the Office (not an attorney) found that a bankruptcy involving properties with delinquent tax balances approximating \$500,000 had long ended and that subsequently the Office proceeded with sale efforts on these properties further solidifies our belief. Lastly, we believe that cost alone should not overshadow the importance of an evaluation process in any case. To leave a group of properties essentially unmonitored simply because such monitoring is deemed too expensive is not an equitable approach and it may leave the impression of preferential treatment to those in that group, such as in this case, owners of properties no longer involved in bankruptcies.

5. a) We recognize that Administrative Stays are a sustainable option outside of the Real Estate Tax Sale Law, ("RETSL"). As in Judge Leavitt's opinion of the Battisti case, we do not question the use of Administrative Stays if they are applied with a defined and consistent methodology. During testimony presented in this case the Director admitted to the use of Administrative Stays for reason of "small amount". He also considered \$234.72 (the amount in question in the Battisti case) a small amount, however the Battisti property was subjected to sale. Now going back to the examined September 2014 Upset Sale, when considering post-adjustment balances, we find that only seven properties were exposed to sale with a delinquent balance lower than one of the adjusted properties stayed "due to low balance". None of those seven properties did have payment activity registered on their account per the Tax Claims computer system prior to the September 2014 Upset Sale. No property was exposed to sale with a balance lower than the lower of the two post-adjustment properties' balance. Provided the post-adjustment balances are correct, it so appears that the Office is now applying some type of equitable methodology on the process of staying properties "due to low balance". When considering pre-adjustment balances, we find that 34 properties were exposed to sale with a delinquent balance lower than one of the properties stayed "due to low balance". We found that seven of those 34 properties had payments applied towards their tax claim per the Tax Claims computer system prior to the September 2014 Upset Sale. See remark 11. for more information on the adjusted properties' accounts. We should also note that we found evidence of a property with a tax claim balance of \$1.90 (excluding accrued costs) that was exposed to the September 2013 Upset Sale. The property was sold and subsequently interested parties filed an exception to the sale in court. This serves as an example of the type of "additional costs of litigation and challenges" the Director describes as wanting to avoid through the process of administrative stays.

The Office of Assessment and Tax Claim Bureau
Controller's Remarks to Office's Responses and Comments (continued)
For the period January 1, 2012, through June 30, 2014

5. c) Section 309 of the RETSL is presented here: "Section 309. Contents of Claims Entered.--All claims for taxes returned, made up as a claim and entered in the claim docket in the bureau shall set forth: (a) The names of the taxing districts for which filed, (b) Except when the owner of the property is unknown and has been unknown for a period of not less than five years, the name of the owner and the owner's last known address, including the zip code by virtue of the knowledge and information possessed by the bureau, by the tax collector for the taxing district making the return and by the county office responsible for assessments and revisions of taxes, of the property against which it is filed, (c) A description of the property against which the claim is filed sufficient to identify the same. A description of the property shall be deemed sufficient if it contains (1) a reference to a record of a deed or other instrument of conveyance which describes the property, or (2) a reference to the number or number and block of the property in a plan, recorded in the office of the recorder of deeds of the county, and the record of such plan, or (3) a reference to the number on any lot and block plan officially adopted by a taxing district, or (4) a statement of the street and number of the property as officially designated by public authorities of a taxing district as of the time the property was assessed, or (5) where the property is not identified by reference to the record of a deed, or other instrument of conveyance, and may not be identified by street and number, or by recorded plan, or by a lot and block plan, a statement of the approximate acreage of the property and the name of at least one (1) owner of adjoining property, if such statement is accompanied by information showing the character of and use to which the property is devoted, as for instance "dwelling and lot," "vacant lot," "vacant land" or "hotel, restaurant, apartment house, office building, bank building, manufacturing plant, industrial plant and the lands belonging thereto," or "farm and the buildings thereon," or "plant nursery and buildings thereon, "or "forest or woodland," or "wasteland," or "coal, oil or other mineral severed from the surface," etc., or intelligible abbreviations thereof. A variation in the description of the property given in the claim filed from that shown on the assessment for tax purposes shall not constitute an irregularity and shall not invalidate the claim. The aforesaid description shall not be deemed exclusive. (d) The year or years, period or periods, for which the respective taxes were levied, and the amount of taxes due for each year, or period, and the penalties and interest due thereon at the time of filing. (e) That due notice of the returns of such taxes, the entry of the claim and that the same would become absolute, if no exceptions were filed, was given to the owner or posted on the property in the manner required by law. Said claim shall be entered in the office of the bureau in the proper claim docket and be signed by or have stamped thereon a facsimile signature of the director. (309 amended Feb. 21, 2006, P.L.33, No.12)" The Office's public record for each tax claim is displayed on its public website with the title "Tax Claim Docket". Exhibit D shows one property's "Tax Claim Docket".
5. d) The actual recordation date mentioned by the Office is in fact subsequent to the court confirmation, but Section 608 of RETSL can be interpreted in varying ways. The very first statement reads: "After the court has confirmed the sale and the purchaser has paid the amount of his bid, it shall be the duty of the bureau to make to said purchaser, his or their heirs or assigns a deed in fee simple for the property sold." The word "make" is not defined in the law.

The Office of Assessment and Tax Claim Bureau
Controller's Remarks to Office's Responses and Comments (continued)
For the period January 1, 2012, through June 30, 2014

5. f) We still advise the Bureau to request a signed affidavit whenever the electronic file is “rolled” over into the Bureau so as to abide by the RETSL. Further, as mentioned in our finding, we interpret Section 306(a) of the RETSL to imply that the return should have the description of each property as it appears in the tax duplicate, and not “compared against the assessment files for description”.

5. h) The claim in question is not displayed on Tax Claims’ public website, where all claims submitted to Tax Claims are presented (the “Tax Claim Dockets”). Other claims for properties reviewed that follow the MCTLL (in the Aliquippa School District and the Big Beaver Falls School District) were likewise not presented on the Tax Claim Dockets.

9. The Assessment Supervisor informed us during our examination that “if it’s a 951/952, it is currently under construction”, so our testing was based on that affirmation. Further, the Office keeps a list of codes used for properties’ electronic records where they reserve codes 951 and 952 for properties under construction. If the system of monitoring properties does in fact operate as described by the Director, it is, at best, poorly documented. Apparently, assessors or field inspectors are visiting properties coded 951/952, determining that no action is needed at the time and returning to the Office without documenting the visit and the reason for reaching their conclusion. Properties then continue coded 951/952 –some for years- and assessors or field inspectors apparently continue with their process of visiting these properties and determining that no action is needed at the time. We believe that this process –if in fact carried out as described- may not yield the best results for assessments in accordance with law. Below are some instances we found that may warrant attention:

**The Office of Assessment and Tax Claim Bureau
 Controller's Remarks to Office's Responses and Comments (continued)
 For the period January 1, 2012, through June 30, 2014**

Parcel Number	Code throughout testing period	Difference in 2009 images vs. 2012 images	Last field inspection date	Last year assessed values were updated	Assessed Market Values (L = Land; B = Buildings)
xx-xxx-0195-006-1	952	1 building added	10/4/2006	2007	L: 245,300; B: 6,170,100; Total: 6,415,400
xx-xxx-0233-003-1	952	2 buildings added	11/28/2000	2001	L: 83,400; B: 121,600; Total: 205,000
xx-xxx-0101-002-1	952	Small scale demo	5/12/2008	2008	L: 370,900; B: 298,400; Total: 669,300
xx-xxx-0505-000-1	952	2 parking lots added	3/24/2006	1982	L: 23,800; B: 24,100; Total: 47,900
xx-xxx-0165-001-1	952	1 building and 2 parking lots added	6/1/2011	2011	L: 13,200; B: 119,300; Total: 132,500
xx-xxx-0508-000-1	952	1 building added	3/12/2008	2008	L: 29,300; B: 179,700; Total: 209,000
xx-xxx-0174-000-1	952	1 building and parking lot added	10/4/2006	2007	L: 15,600; B: 144,000; Total: 159,600

The following schedule displays assessment data for four properties making up a single structure (condominiums). The structure appears visibly complete on Google Maps as of August 30, 2012, and all but one of the properties seem to be owner-occupied since 2014 or earlier. Similar examples can be found in the same group of condominium structures.

Parcel	Land Use Code	Last field inspection date	Last year assessed values were updated	Assessed Market Value (L = Land; B = Buildings)
xx-xxx-0100-000	117	5/15/2014	2014	L: 12000; B: 68,900; Total: 80900
xx-xxx-0101-000	951	3/19/2012	2008	L: 1700; B: 0; Total: 1700
xx-xxx-0102-000	951	3/19/2012	2008	L: 1700; B: 0; Total: 1700
xx-xxx-0103-000	951	3/19/2012	2008	L: 1700; B: 0; Total: 1700

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All data presented on the schedules above was obtained from the Office's computerized system.

11. The amounts of the net reductions observed on three properties' balances examined by us amount to \$441, \$251, and \$214.
14. Upon further examination we found that the \$4,405.62 deposit was indeed recorded in the Office's electronic system one day after deposits are normally recorded at the Office.
15. Whereas Tax Claims may now "compare bank deposits to its ledger and balances for disbursement", at the time of our examination we were informed by the Tax Claim Supervisor that payments to taxing districts were processed as described in the finding. We recommend that the review practice implemented –as with any review and reconciliation task- be adequately documented so as to facilitate both internal and external examination by interested parties.

General Overview Response:

1. To our question "Does the assessment software undergo periodic audits?" during our initial examination period the Director responded "No". To our question "Do you have plans to submit the software to audit?" the Director responded "No". We believe that the systems of information technology currently used by Assessment are an integral and significant part of Assessment. As such, we recommend incorporating them in any audit or study to be performed.
1. b) Regarding assessment for buildings, we did not physically inspect any properties, however, with the aid of Google Maps we compared residential properties with structures much larger than normally found within Beaver County and discovered that some had lower assessed values and lower input variables (number of rooms, number of bedrooms, etc.) than some of their much smaller counterparts.

ASSESSMENT OFFICE



Board of Commissioners

Tony Amadio, Chairman

Joe Spanik

Dennis E. Nichols

Chief County Assessor

Michael P. Kohlman, CPE, IFAS

January 15, 2015

Mr. David A. Rossi
Controller
County of Beaver

We are providing this letter in connection with your compilation and examination of the financial schedules of the Office of Assessment and Tax Claim Bureau of Beaver County ("the Office") as of December 31, 2012, 2013, and June 30, 2014. We confirm that we are responsible for the fair presentation of the previously mentioned financial schedules in conformity with the cash basis of accounting. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of January 15, 2015, the following representations made to you during your audit.

- 1) The financial schedules referred to above are fairly presented in conformity with the cash basis of accounting.
- 2) We have made available to you all requested records and related information
- 3) There have been no communications from regulatory agencies or elected officials concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial schedules.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial schedules
- 7) We have no knowledge of any allegations of fraud or suspected fraud affecting the Office received in communications from employees, former employees, public officials, analysts, regulators, or others.
- 8) We have a process to track the status of audit findings and recommendations.
- 9) We have provided our views on reported findings, conclusions, and recommendations for the report.
- 10) The Office has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 11) The following, if any, have been properly recorded or disclosed in the financial schedules:
 - a) Related party transactions.
 - b) Guarantees, whether written or oral, under which the Office is contingently liable.
 - c) All accounting estimates that could be material to the financial statements. We believe the estimates and measurements are reasonable in the circumstances.

- 12) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Office.
- 13) All our assessors are certified or will become certified with the State Board of Certified Real Estate Appraisers and licenses are current and not revoked or suspended.
- 14) We have complied with all ethics rulings governing certified assessors in Pennsylvania as well as for transactions involving tax claims.
- 15) We confirm that no one has approached us with the intention to circumvent laws or regulations for purposes of modifying assessment or tax claim values.
- 16) There are no undisclosed liabilities or gain or loss contingencies.
- 17) As part of your examination, you compiled the financial schedules and related notes. We have reviewed, approved, and accepted responsibility for those financial schedules and related notes.
- 18) The Office has complied with all aspects of contractual agreements that would have a material effect on the financial schedules in the event of noncompliance.
- 19) We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events have occurred subsequent to June 30, 2014, and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial schedules.

Signed: _____

Title: _____