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PRESS RELEASE

Special Audit Report of Real Estate Collections in Springettsbury Township

York, PA – During the 2007 audit review process, concerns were raised as to the untimely remittances of 2007 real estate collections by Tax Collector, Mrs. Margaret Cousler, to Springettsbury Township. To ensure fiduciary responsibility to its residents, Springettsbury Township hired the accounting firm of Boyer & Ritter to conduct a special audit of the 2007 real estate collections.

When the Township received Boyer & Ritter's special audit report on May 29, 2009, it was provided to the Township solicitor Charles Rausch, Esquire, who then discussed it with the Board of Supervisors. The Township provided the tax collector with the auditor's report on June 12, 2009, and requested a response by July 17, 2009. No response has been received to date. The results of the report have also been provided to Mrs. Cousler's surety bond company. The special audit report is available to review at the Township Administration Building.

The Township has since filed a claim with the Surety Company. In the notice the Township has reserved the right to file additional claims for any open tax year. The Township has focused on 2007, though, years 2005 through 2008 have not been closed out by the tax collector as required by the Local Tax Collection Law. The Local Tax Collection Law requires that prior year collections be reconciled and closed out by January 15th of the following year.

The special audit report found that there are irreconcilable differences, the difference between what should have been collected, less delinquencies or exonerations, and what the Township actually received, based on reports prepared by the Tax Collector. The report does not draw conclusions as to why the tax reconciliation is not complete and balanced.

On August 27, 2009, the Board of Supervisors acknowledged receipt of Boyer & Ritter's recommendations based on their forensic audit report. The Board also directed the Township Manager and Solicitor to take the necessary actions to reconcile the 2006 and 2008 taxes, and work with Central York School District, York Suburban School District and the County of York on any future actions.

The Springettsbury Township Board of Supervisor's are working to resolve these issues in order to obtain a complete accounting of all tax revenues, and have transferred collection of mercantile and business taxes to the York Adams Tax Bureau effective January 1, 2009 to allow the tax collector to focus on the collection of real estate taxes.

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In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of Springettsbury Township as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Springettsbury Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- We noted the following issues during the review of tax collector records and reporting to the Township:
 - The Tax Collector has not completed a revised tax reconciliation for 2007.
 - The Tax Collector does not maintain detail listings to support each deposit of taxes collected. We also noted that not all taxes are deposited timely. According to the tax collector, tax payments are deposited after they are posted to the tax duplicate, however during periods of high volume she indicated it may take several weeks for taxes to be deposited.
 - The Tax Collector manually allocates county and municipal taxes at the time of the deposits. According to bank records, the tax collector made 104 deposits in 2008, however, due to errors, 16 deposit adjustments were made.
 - The Tax Collector did not turn over all taxes collected to the Township within the 10 day requirement.
 - The Tax Collector did not provide a reconciliation of taxes held in her Township tax collector account of \$89,075 at January 31, 2009.

- The Tax Collector submitted monthly DCED reports for 2008 that contained errors and did not reconcile with year-end outstanding taxes turned over for collection. She submitted a corrected set of reports in March 2009, however, balances still did not reconcile.
- The Tax Collector did close the Sovereign Bank account in October 2008, but comingled the transfer of funds with the current year taxes and did not maintain an audit trail for this transaction.
- The Tax Collector did submit a hand written listing of exonerations for \$28,970, but did not provide detail as to which taxes they are for. Based on our reconciliations prior to the exonerations, our unreconciled difference in real estate taxes is \$8,264, interim taxes of \$20,872 and street light taxes of \$1,035, which totals \$30,171.
- In April of 2008, the tax collector turned over \$31,580 in prior year Business Privilege and Mercantile taxes, but did not turn over copies of the tax returns to support the payments.
- During our review of the year end reports for business privilege and mercantile tax reports, we noted that several taxpayers had filed corrected returns with revised tax amounts but the revised amounts were not reflected in the year-end report she provided to the Township. We did note that she did remit the additional taxes collected to the Township, but it did increase the difficulty in reconciling her records. We did note that the Township has assigned the Business privilege/Mercantile/Local service taxes to a new tax collector for the 2009 year.
- We noted that the Township did not reconcile the amounts in the Due to/Due from accounts of the general, capital, and grant funds. These funds reported large amounts left in the balances of the interfund receivables and payables which required significant year-end adjustments to reconcile these balances. These unadjusted balances results in the overstatement of assets and liabilities for these funds. We recommend the Township should review and reconcile the interfund activity periodically in order to ensure proper reporting of the interfund receivables/payables of each fund.
- We noted that the grant fund was not reconciled at year-end prior to the beginning of the audit and that the original trial balance did not balance. We also noted that once the Township reconciled the grant fund, additional journal entries were required for several other funds after the audit was started. We noted that the Due to/ Due from accounts had not been reconciled and that additional adjustments were necessary to recognize grant revenue and expenditures. We recommend that the Township ensure that all funds are reconciled timely to ensure proper reporting of assets, liabilities, revenues and expenditures.

This communication is intended solely for the information and use of management, Board of Supervisors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sager, Swisher and Company, LLP