



**BUTLER COUNTY AUDITOR & TREASURER'S OFFICES
PROPERTY TAX PENALTY AND INTEREST REMISSIONS**

SPECIAL AUDIT

FOR THE PERIOD OF JANUARY 1, 1998 THROUGH MAY 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

This page intentionally left blank.

**SCHEDULE OF ELECTED OFFICIALS
AS OF MAY 31, 2000**

<u>ELECTED OFFICIALS</u>	<u>TERM ENDING</u>	<u>BOND</u>
Butler County Commissioners		
Courtney E. Combs	01/01/03	\$5,000 ⁽¹⁾
Charles R. Furmon	01/03/01	\$5,000 ⁽¹⁾
Michael A. Fox	01/02/01	\$5,000 ⁽¹⁾
Butler County Auditor		
Kay Rogers, CPA	03/09/03	\$10,000 ⁽¹⁾
Butler County Treasurer		
Mary Law	09/06/01	\$250,000 ⁽¹⁾

⁽¹⁾ Ohio Casualty Insurance Company

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Report of Independent Accountants

The Honorable Courtney E. Combs
The Honorable Charles R. Furmon
The Honorable Michael A. Fox
Butler County Commissioners
Butler County Government Services Center
315 High Street, 6th Floor
Hamilton, Ohio 45011

Pursuant to your request dated May 15, 2000, we have conducted a "Special Audit" and performed the procedures summarized below and detailed in our "Supplement to the Special Audit Report," for the period January 1, 1998 through May 31, 2000 for delinquent property tax remissions processed by the County Auditor and County Treasurer. These procedures were performed solely to obtain an understanding of the procedures followed by the County Auditor and County Treasurer when processing remissions; to determine whether the remissions were approved by the State Tax Commissioner; to determine whether unapproved remissions were processed in accordance with Ohio Revised Code; and to determine whether those unapproved remissions were supported by documents describing the purpose of the remissions. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the users of the report. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed are summarized as follows:

1. We obtained an understanding of the procedures followed when assessing and remitting delinquent real estate tax penalties and interest and whether those procedures were in compliance with applicable Ohio Revised Code statutes.
2. We reviewed remission forms on file in the County Auditor's Office for tax years 1997, 1998, and the first half of tax year 1999 to determine the extent to which remissions were submitted to the State Tax Commissioner for approval.
3. We reviewed the remissions which were not submitted to the State Tax Commissioner and determined which remissions were: a) approved by the County Treasurer in accordance with Ohio Rev. Code Section 323.121(C), and b) the result of tax-exempt certifications issued by the State Department of Taxation. Neither of these two types of remissions were required to be submitted to the State Tax Commissioner for approval.
4. We reviewed the remaining parcels and related remissions identified in Issue No. 3 to determine the purpose of the remissions.

5. On Thursday, January 11, 2001, we held an exit conference with the following elected officials representing the Butler County Treasurer's Office:

Mrs. Mary Law, Butler County Treasurer
Mrs. Carole Moschetti, Butler County Treasurer-Elect

The attendees were given an opportunity to respond to this Special Audit. We received a written response from Ms. Mary Law dated January 16, 2001, and a written response from Ms. Carole Moschetti dated February 1, 2001, and changes were made where we deemed appropriate.

On Thursday, January 11, 2001, we held an exit conference with the following elected officials representing the Butler County Auditor's Office:

Ms. Kay Rogers, Butler County Auditor
Mr. Randy Groves, Chief Deputy
Ms. Nancy Powell, Deputy Auditor

The attendees were given an opportunity to respond to this Special Audit. We received a response from Kay Rogers dated February 5, 2001 and changes were made where we deemed appropriate.

On Thursday, January 11, 2001, we held an exit conference with the following elected officials representing the Butler County Commissioner's Office:

Mr. Derek L. Conklin, County Administrator
Mr. Timothy R. Williams, Assistant County Administrator

The attendees were given an opportunity to respond to this Special Audit. No such response was received.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report." Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the County's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures, and does not extend to any financial statements of the County taken as a whole.

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

Jim Petro
Auditor of State

January 5, 2001

THIS PAGE INTENTIONALLY LEFT BLANK.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Background Information

On May 3, 2000, the late Butler County Prosecutor John F. Holcomb filed a lawsuit against Kay Rogers, Butler County Auditor demanding that she reinstate \$9,848 of penalties and interest which were remitted from 17 parcels of the land owned by Mr. Irvin Tessler. The complaint commanded that the penalties and interest be included on the next tax billing cycle as “only the Tax Commissioner has the authority and jurisdiction to remit real estate tax penalties and interest.”

A Treasurer’s “in-house” form documented the reason for the remission of Mr. Tessler’s penalties and interest as “per request of Kay Rogers.” We interviewed both the Treasurer and the Auditor, as well as, various deputies of each office. We also received written responses and statements from both the Treasurer’s and Auditor’s offices. Because the responses and statements substantially differed regarding the initiation, approval, and processing of this transaction, we were unable to reach a conclusion regarding the facts and circumstances surrounding the processing of this transaction.

On May 5, 2000, the penalties and interest were added back to the balance of taxes due on the 17 parcels owed by Mr. Tessler. The lawsuit was dismissed on May 11, 2000.

In a letter to Auditor Petro dated May 15, 2000, the Butler County Commissioners requested a special audit to “determine the extent of noncompliance with law and offer recommendations for corrective actions.” On May 16, 2000, the Auditor of State’s Special Audit Committee voted to initiate a special audit.

Additional Clarification: Throughout this report, the act of removing penalties and interest is referred to as “remitting” or “to remit”. A penalty or interest which has been removed is referred to as a “remission” or “remissions”. These references should not be confused with the act of making a payment, which is also generally known as “remitting”. Within this report, the act of making a payment is referred to as “submitting” or “submit”.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Description of the Property Tax Penalty and Interest Assessment and Remission Process

Each October the County Auditor certifies property tax levies approved by voters to the State Tax Commissioner. The State Tax Commissioner then provides the County Auditor with a tax abstract report which includes the effective millage rates and reduction factors necessary to prepare tax bills. In December, the County Auditor generates the tax bills which reflect due dates of December 31st and June 20th as established by Ohio Revised Code Section 323.12(A). If the County Auditor does not receive the tax abstract report from the State Tax Commissioner in a timely manner to allow the County Auditor to provide the tax duplicates to the County Treasurer by the first Monday in December, the County Treasurer has the discretion to extend the due dates to no later than January 31st and July 20th. These payment due dates may not be extended past January 31st and July 20th unless a written request is submitted to the State Tax Commissioner by the County Treasurer. Taxpayer payments received by the County Treasurer after the established due dates are assessed a ten percent (10%) penalty per Ohio Revised Code Section 323.121(A). If payment is received within 10 days of the due date, fifty percent (50%) of the ten percent (10%) penalty can be waived by the County Treasurer and remitted by the County Auditor in accordance with Ohio Rev. Code Section 323.121(C). Interest is assessed in August and December at rates determined by the Department of Tax Equalization.

If a payment is received after the due date, the taxpayer can submit a written request to the County Treasurer or Auditor requesting that the State Tax Commissioner return the ten percent (10%) penalty to the taxpayer. In order to be remitted, the late payment must be due to one of the following four reasons as described in Ohio Revised Code Section 5715.39:

1. The taxpayer could not make timely payment of the tax because of the negligence or error of the auditor or treasurer in the performance of a statutory duty relating to the levy or collection of such tax.
2. The taxpayer failed to receive a tax bill or a correct tax bill, and the taxpayer made a good faith effort to obtain such bill within thirty days after the last day for payment of the tax.
3. The tax was not timely paid because of the death or serious injury of the taxpayer, or the taxpayer's confinement in a hospital within sixty days preceding the last day for payment of the tax if, in any case, the tax was subsequently paid within sixty days after the last day for payment of the tax.
4. The taxpayer demonstrates to the satisfaction of the commissioner that the full payment was properly deposited in the mail in sufficient time for the envelope to be postmarked by the United States postal service on or before the last day for payment of such tax. A private meter postmark on the envelope is not a valid postmark for purposes of establishing the date of payment of the tax.

The form and any supporting documentation is submitted to the Ohio Department of Tax Equalization. Upon State Tax Commissioner approval, the County Auditor remits the penalty and any associated interest from the parcel record.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 1 - Review of Delinquent Tax Assessment and Remission Process Performed by the County Auditor and County Treasurer

We obtained an understanding of the procedures followed when assessing and remitting delinquent real estate tax penalties and interest and whether those procedures were in compliance with applicable Ohio Revised Code statutes.

Procedures:

1. We interviewed Treasurer's Office personnel and obtained an understanding of the procedures followed when assessing and remitting delinquent real estate tax penalties and interest.
2. We interviewed Auditor's Office personnel and obtained an understanding of the procedures followed when remitting delinquent real estate tax penalties and interest.

Results

1. A. We contacted Mary Law, Treasurer and Carol Moschetti, Deputy Treasurer, to obtain an understanding of the procedures for assessing tax penalties and interest. These two individuals referred us to various staff members within the Treasurer's Office. As a result, we interviewed Ms. Lori Sullivan, Deputy Treasurer and Ms. Tonya Blackwood, Deputy Treasurer regarding the procedures followed when assessing tax penalties and interest. According to Ms. Sullivan and Ms. Blackwood:

Prior to the tax due dates, the Treasurer's Office sends a letter to the County's Information Systems Department requesting that it program a date into the County's computerized property tax billing system which will serve as the date on which penalties will be assessed on all delinquent payments (hereafter referred to as the "penalty date"). Due to the high volume of payments which are received during the collection period, Treasurer's Office personnel are not able to record all payments in the computer system on the date of receipt. Although not recorded within the computer system, the Treasurer's Office ensures that all monies collected are recorded on its "Form 6" and deposited on a daily basis. The related tax stubs are then sorted into two boxes. One box is for tax stubs received on or before the due date and the other box is for tax stubs received within ten days after the due date and thus, qualify for a 50% remission of the 10% delinquency penalty in accordance with the Ohio Revised Code.

All payments which are received on or before the due date must be recorded in the computer system prior to the penalty date so that timely payments are not assessed the 10% delinquency penalty. Generally, it takes Treasurer's Office personnel four or five days to process all timely payments and therefore, the penalty date requested to be programmed into the computer system is not the first day after the due date. During the Period, the penalty dates ranged from three to ten days beyond the due dates.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

As a result, it is possible for Treasurer's Office personnel to record a payment received after the due date but before the penalty date and not assess a penalty. We were unable to determine if this occurred since the date which is stamped on the tax bill by Treasurer's Office personnel is the due date, not the actual date received. We will recommend that the Treasurer's Office review its procedures for processing payments and devise a plan which will allow payments to be recorded into the computer system immediately upon receipt.¹

On the penalty date, the computer system automatically calculates and assesses penalties on all delinquent parcels. This process usually takes several days. During this period, no payments are recorded in the computer system. Treasurer's Office personnel accept payments and manually calculate the 5% penalty (10% penalty less 50% since the payment was received within ten days of the due date). The payments are not recorded in the computer system until the system has completed all penalty assessments. When the payments are recorded in the system, Treasurer's Office personnel enter a "Y" in the "half waiver" field on the payment screen so that the computer calculates a 5% penalty instead of 10%. See testing of the "50% remissions" in Issue No. 3.

- B. We reviewed each of the tax collection due dates set by the County Treasurer's Office and noted the due dates extended beyond the allowable due dates of December 31st and June 20th as established in Ohio Rev. Code Section 323.12(A). Ohio Revised Code Section 323.17 provides that if the County Auditor has not received the certified reduction factors from the State Tax Commissioner by September 1st, the County Auditor may extend the date to which he/she delivers the tax duplicate to the County Treasurer from October 1st to the first Monday in December. At the same time, the County Treasurer may extend the statutory tax collection dates of December 31st and June 20th to no later than January 31st and July 20th. These extensions do not require approval from the State Tax Commissioner. However, for tax years 1997, 1998, and 1999, the Butler County Auditor did not receive the certified reduction factors from the State Tax Commissioner until after December 1st. Specifically, the 1997, 1998, and 1999 reduction factors were received on December 12th, December 8th, and December 15th respectively. As a result, the tax duplicates were not delivered to the County Treasurer's Office until the end of December/beginning of January thus, resulting in an unavoidable delay in the closing of the tax collection periods. Ohio Rev. Code Section 323.17 states that when unavoidable delays are encountered, a written application should be submitted by both the County Auditor and the County Treasurer requesting for an extension of tax duplicate delivery, as well as, an extension of the billing and collection dates.

¹ See recommendation on page 13.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The following due dates were established by the Butler County Treasurer's Office:

Due Dates set by Butler County	Latest Date for Collection Per Ohio. Rev. Code without State Tax Commissioner Approval
February 9, 1998	January 31, 1998
July 13, 1998	July 20, 1998
February 8, 1999	January 31, 1999
July 13, 1999	July 20, 1999
February 7, 2000	January 31, 2000
July 10, 2000	July 20, 2000

We contacted the Office of the State Tax Commissioner to determine whether the Butler County Auditor and Treasurer submitted applications for approval of the extended tax duplicate delivery date, as well as, the tax collection dates which extended beyond January 31st. The State Tax Commissioner did not receive such applications and thus, did not approve the extensions. A citation will be issued for not obtaining the approval of the State Tax Commissioner for extensions of the tax duplicate delivery date, as well as, the tax collection dates which extended beyond January 31st.

- C. We interviewed Carol Moschetti, Administrative Assistant to Mary Law, Butler County Treasurer regarding property tax penalty and interest remissions. According to Ms. Moschetti, when a taxpayer disputes his/her penalties and interest, he/she must contact the Treasurer's Office to discuss his/her complaint. The deputy treasurer taking the complaint completes one of two forms depending on the taxpayer's request. One form is a State Department of Tax Equalization Form and the other is an "in-house" form that was created by the Treasurer's Office. The determination of which form to complete is made by the deputy treasurer taking the complaint. There are no written policies providing guidance on which form is to be completed. The Department of Tax Equalization Form is completed by the taxpayer and the County Treasurer's Office before being submitted to the State Tax Commissioner. The "in-house" form is completed by the County Treasurer's Office and includes a very brief explanation of the reason for the remission. Contrary to Ohio Revised Code Section 5715.39, it is standard operating procedure for remissions documented on the Treasurer's Office "in-house" forms to be approved only by the County Treasurer and not submitted to the State Tax Commissioner for approval. The following is a list of common explanations listed on the Treasurer's "in-house" forms which were approved by the County Treasurer's Office and recorded in the computer system by the County Auditor's Office:

- I. **Extended Due Date** - Due dates are extended on an individual taxpayer basis for various reasons. Some examples of extended due dates during the Period include:
- i. An individual's property valuation and related tax were altered by the County Board of Revisions near the established due date. The Treasurer's Office extended the due date to provide the taxpayer additional time to receive the revised tax bill and submit payment. The revised due date was handwritten on the tax bill.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- ii A mortgage company submitted a magnetic tape of payments which the Treasurer's Office could not read. The tape was returned to the mortgage company and the due date extended.
- iii Individual taxpayers filed for a homestead and rollback exemption which was granted near the established due date. The Treasurer's Office extended the due date to provide the taxpayer additional time to receive the revised tax bill and submit payment.

As stated in Ohio Rev. Code Section 323.17, the statutory due dates of December 31st and June 20th may be extended by the County Treasurer to no later than January 31st and July 20th if the County Auditor has not received the certified reduction factors from the State Tax Commissioner. Thus, the County Auditor is delayed in providing the tax duplicate to the County Treasurer, in a timely manner. These extensions do not require approval from the State Tax Commissioner. The due dates cannot be established by the County Treasurer after January 31st and July 20th unless the County Treasurer and County Auditor obtains written approval from the State Tax Commissioner. Since none of the individual due date extensions reflected on the Treasurer's "in-house" forms were submitted to the State Tax Commissioner for approval, we will issue a noncompliance citation.²

- II. **Taxpayer on Contract plan so no interest was to accrue** - A taxpayer signed an agreement to make payments on his/her delinquent balance. According to the agreement, no additional penalties or interest were to be accrued on the delinquent balance. The computer system automatically calculated penalties and interest on all accounts, and therefore, the Treasurer manually remitted the accrued penalty and interest after verifying the taxpayer was making the required payments.
- III. **Bankruptcy, Foreclosure, and Other Court Cases** - The Treasurer received a "stay" on delinquent penalties from the Court of Common Pleas. As a result, a remission was made to remove the penalties which were automatically assessed by the computer system.
- IV. **Sheriff Sales** - An remission was made when the sale or payment was delayed which resulted in penalties and interest being adjusted to reflect the amounts in the judgement entry from the Court. The judgement entry was maintained by the Court.
- V. **Treasurer Clerical Error** - Various clerical errors were made by the Treasurer's Office including incorrect addresses or incorrect owner names. As a result, the taxpayer did not receive the tax bill in time to make payment and thus, the penalties which had accrued were remitted.
- VI. **Did not receive bill or received late** - Penalties and interest were remitted when taxpayers contacted the Treasurer's Office either in writing or by phone indicating they did not receive their tax bill.
- VII. **Timely payment** - The taxpayer was required to submit supporting documentation indicating to the Treasurer the payment was mailed before the due date.

² See noncompliance citation at the conclusion of Issue No. One.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

While reviewing all of the penalty and interest remissions made during the Period³, we identified several remissions which were made without either the Treasurer's "in-house" form or the State Department of Tax Equalization form. We discussed these remissions with Ms. Mosketti and determined they all resulted from the Treasurer's Office being unable to read one magnetic tape of payments received from a mortgage company for several parcels. The original tape was received before the due date, however, the Treasurer's Office returned the tape to the company for remissions because it was unreadable. A readable tape was received after the penalties had been assessed. The tape was considered a timely payment as it was originally received before the due date, therefore, the penalties assessed by the computer system were removed.

- D. The Treasurer's Office records a "y" in the half-waiver field in the taxpayer record on the computer system for all remissions of 50% of the 10% penalty which are allowed in accordance with Ohio Rev. Code Section 323.121(C). Once all parcels entitled to the 50% remission of the 10% penalty were entered, the Treasurer's Office would request the County Auditor's Office to activate the computer program which performed the 50% remission of the 10% penalty. The County Auditor then remits the waived penalties in accordance with Ohio Rev. Code Section 323.121(C). All other remissions are recorded by the County Auditor's Office at the request of the State Board of Tax Appeals, County Board of Revisions, Treasurer's Office, Butler County Court of Common Pleas, or those involving allocating the delinquent penalties assessed on one parcel to the new parcels created from the original parcel.
2. Upon referral by Kay Rogers, County Auditor, we interviewed Nancy Powell, Deputy Auditor regarding the procedures followed by the County Auditor's Office when remitting delinquent property tax penalties and interest. According to Ms. Powell:
- A. The requests for remissions of penalties and interest were received by interoffice mail from the County Treasurer's Office. Ms. Carol Kline, Ms. Powell, and Ms. Julie Joyce-Smith were authorized to post the remissions to the system. Ms. Kline received the inter-office mail from the County Treasurer's Office and recorded the requests in the computer system. If the request was in the form of an approved State Tax Commissioner form or a Treasurer's "in-house" form, Ms. Kline entered the remission on the AR 12 report⁴. Upon completion of the AR 12 report, Ms. Kline printed two copies of the remission on the TX02 screen. The first copy was attached to the Treasurer's request and filed in the County Auditor's Office. The second copy was returned to the County Treasurer's Office.

³ As more fully described in Issue No's. 2 through 4.

⁴ The AR 12 Report is generated by the computer and reflects all adjustments for a) penalty and interest adjustments, b) assessments, c) change in values, d) CAUV adjustments, e) special assessment adjustments, and f) other miscellaneous adjustments.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- B. The County Auditor's Office does not have the ability adjust the waivers of 50% of the 10% penalty which have been recorded in the computer system by the County Treasurer's Office.⁵ The County Auditor's Office is responsible for remitting the penalties by operating the computer program which remits the 50% waiver of the 10% penalty based on the letter recorded in the half waiver field. However, other than the 50% remissions, the Auditor's Office records all remissions of penalties and interest which include:
- I. All remissions, and other adjustments, which are initiated by the County Board of Revisions; State Board of Tax Appeals, and the Butler County Common Pleas Court.
 - II. All remissions which are approved by the State Tax Commissioner;
 - III. All remissions that are recorded on the "in-house" forms used by the County Treasurer's Office which are not submitted to the State Tax Commissioner. We will issue a noncompliance citation of Ohio Rev. Code Section 5715.39 for lack of State Tax Commissioner approval for these remissions.⁶
 - IV. All remissions that originate in the County Auditor's Office. For example, a) clerical errors made by Auditor's Office staff; and b) the remissions of penalties and interest attributable to a large parcel of land because that parcel has been split into two or more parcels and the penalties and interest have to be applied proportionately to the new parcels. When a remission originates in the Auditor's Office, the deputy clerk processing the remission records the remission in the computer system and prints the computer screen which is attached to the documentation supporting the remission.

NON-COMPLIANCE CITATION

Ohio Rev Code Section 323.12 states each person charged with taxes shall pay to the county treasurer the full amount of such taxes on or before the thirty-first day of December, or shall pay one-half of the current taxes together with the full amount of any delinquent taxes before such date, and the remaining half on or before the twentieth day of June next ensuing.

Ohio Revised Code Section 323.17 provides that if the County Auditor has not received the certified reduction factors from the State Tax Commissioner by September 1st, the County Auditor may extend the date to which he/she delivers the tax duplicate to the County Treasurer from October 1st to the first Monday in December. At the same time, the County Treasurer may extend the statutory tax collection dates of December 31st and June 20th to no later than January 31st and July 20th. These extensions do not require approval from the State Tax Commissioner.

Ohio Rev. Code Section 323.17 states that when unavoidable delays are encountered, a written application should be submitted by both the County Auditor and the County Treasurer requesting for an extension of tax duplicate delivery, as well as, an extension of the billing and collection dates.

⁵ See Issue No. 3 for testing of 50% waivers.

⁶ See noncompliance citation at the conclusion of Issue No. 4.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The Butler County Treasurer established due dates which exceeded January 31st for tax years 1997, 1998, and 1999; February 9th, February 8th, and February 7th respectively. We contacted the Office of the State Tax Commissioner to determine whether the Butler County Auditor and Treasurer submitted applications for approval of the extended tax duplicate delivery date, as well as, the tax collection dates which extended beyond January 31st. The State Tax Commissioner did not receive such applications and thus, did not approve the extensions. The Butler County Auditor and Butler County Treasurer should have requested extensions for the delivery of the tax duplicate and billing and collection due dates, respectively.

In addition to the county-wide extensions described above, the Treasurer's Office also granted due date extensions on an individual basis. These extensions were documented on Treasurer's "in-house" forms which were not submitted to the State Tax Commissioner for approval. During our testing described in Issue No. 4, we noted thirty (30) specific instances in which this occurred.⁷

We recommend the County Auditor submit a request for approval of an extension for the tax duplicate to the County Treasurer when circumstances do not allow the tax duplicate to be delivered to allow the taxpayers adequate time to submit payment per the tax collection dates. In addition, we recommend the County Treasurer submit a request for approval from the State Tax Commissioner when necessary to ensure the taxpayers have a reasonable amount of time from the receipt of their tax bills until the due date based on the delivery of the tax duplicate from the County Auditor.

MANAGEMENT COMMENTS

Review of Request for Remission of Penalties and Interest

Various deputy treasurers prepared forms requesting remissions of penalty and interest. These forms were either a Treasurer's "in-house" form or a State Tax Commissioner Form. None of the Treasurer's "in-house" forms were submitted to the State Tax Commissioner for approval⁸. In addition, no one performed an independent review of the Treasurer's "in-house" forms, the State Tax Commissioner forms, or the related supporting documentation prior to their submission to the County Auditor's Office for processing.

We recommend both the County Treasurer and County Auditor appoint an individual within the respective Offices to review the documentation supporting each remission request. Based upon the review of the supporting documentation, a recommendation for remission should be submitted to the State Tax Commissioner. In addition, this individual should ensure all remissions recorded to the taxpayer accounts are supported by either the State Tax Commissioner's approval, the County Board of Revision's approval, the State Board of Tax Appeals decision, a tax-exempt certification approved by the State Department of Taxation, Court Opinion, County Prosecutor's Opinion, or is in accordance with Ohio Rev. Code Section 323.121(C).

⁷ These thirty instances are explained on the following pages: page 20, Result C; page 22, Result C; page 24, Result B; page 25, Result C; and page 26, Result D.

⁸ See noncompliance citation at the conclusion of Issue No. 4.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Timely Posting of Payments

Due to the high volume of payments which are received during the collection period, Treasurer's Office personnel are not able to record all payments into the computer system on the day the payments are received. Although not recorded within the computer system, the Treasurer's Office ensures that all monies collected are recorded on its "Form 6" and deposited on a daily basis. The related tax stubs are then sorted into two boxes. One box is for tax stubs received on or before the due date and the other box is for tax stubs received within ten days after the due date and thus, qualify for a 50% remission of the 10% delinquency penalty in accordance with the Ohio Revised Code.

According to Treasurer's Office personnel, the Treasurer's staff indicated during the collection period of taxes, tax stubs received with payments are placed in boxes and the payments are deposited the day received. The tax stubs showing payment was received were processed within four to five days of receipt. The boxes are maintained in a vault which is locked each night. As a result, taxpayers could incorrectly be assessed a penalty when a payment was remitted timely or were not assessed a penalty even though their tax stub was received after the due date.

We recommend the County Treasurer's Office review the Office's procedures for processing property tax collections and devise a plan which allows all tax stubs documenting payment to be processed when received. Because the Treasurer's Office receives an excessive number of tax payments during the ten day period before and after the due date, the Treasurer may consider employing temporary personnel to assist in posting payments received timely.

Policies and Procedures for Payments

The Treasurer's Office has no written policies and procedures to assist employees in determining whether a payment is to be considered "timely" and thus, not subject to the 10% penalty as required by Ohio Revised Code. Each payment is assessed independently by the teller receiving the payment and the judgement of timeliness is at the discretion of the teller. This could result in unequal assessment of penalties on tax bills for different taxpayers.

We recommend the Treasurer's Office create and implement written policies and procedures documenting when a payment is considered to be timely. Each employee should read the policies and procedures and sign an acknowledgment indicating the employee understands the policies and procedures.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 2 - Identification of Tax Remissions Submitted to the State Tax Commissioner

We reviewed remission forms on file in the County Auditor's Office for tax years 1997, 1998, and the first half of tax year 1999 to determine the extent to which remissions were submitted to the State Tax Commissioner for approval.

Procedures:

1. We identified all real estate parcels within the County's data files which reflected remissions for tax years 1997, 1998, and 1999 and performed a computerized match between a) the parcel remissions in the data files; and b) the parcel remissions which were submitted to the State Tax Commissioner as identified in Procedure No. 1. This provided us with a remaining number of parcels and related remissions that were not submitted to the State Tax Commissioner.
2. We obtained remission forms from the County Auditor's Office , including both Treasurer's "in-house" forms and State Tax Commissioner Forms, which were processed by the County Auditor's Office for tax years 1997, 1998, and 1999 and determined the total number of parcels and related remissions that were submitted to the State Tax Commissioner for approval.
3. Using Audit Command Language (ACL) we extracted the 256 parcels and related remissions that were approved by the State Tax Commissioner from the total number of parcels and related remissions recorded in the County's data files.

Results

1. Using Audit Command Language (ACL) computer software and the County's data files, we extracted each parcel which reflected remissions for tax years 1997, 1998, and/or the first half of 1999 within the County's data files. Our extraction resulted in the following:

<u>Tax Year</u>	<u>Number of Parcels which Reflected Remissions within the County's Data Files</u>	<u>Dollar Amount of Remissions</u>	<u>Average Dollar Amount of Each Remissions</u>
1997	3,245	\$ 404,936	\$ 124
1998	2,402	452,516	188
1999 ⁹	<u>1,507</u>	<u>498,699</u>	330
	<u>7,154</u>	<u>\$1,356,151</u>	

⁹ Includes first half of tax year 1999 settlement only.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. We obtained all remission forms from the County Auditor's Office, including both "in-house" forms and State Tax Commissioner Forms, which were processed by the County Auditor's Office for tax years 1997, 1998, and/or the first half of 1999. We reviewed these forms to determine the total number of parcels and related remissions that were submitted to the State Tax Commissioner for approval. We identified 256 parcels and related remissions that were approved by the State Tax Commissioner.
3. Using ACL software, we extracted the 256 parcels and related remissions that were approved by the State Tax Commissioner from the total remissions recorded in the County's data files. Our extraction resulted in the following:

<u>Tax Year</u>	<u>Number of Parcels which reflected Remissions in the Computer System</u>	-	<u>Number of Parcels with related Remissions that were supported by a form that was sent to the State Tax Commissioner</u>	=	<u>Number of Parcels with related Remissions that were <u>not</u> supported by a form that was sent to the State Tax Commissioner</u>	<u>Dollar Amount of Parcels with related Remissions that were <u>not</u> supported by a form that was sent to the State Tax Commissioner</u>
1997	3,245	-	44	=	3,201	\$ 324,006
1998	2,402	-	173	=	2,229	408,178
1999 ¹⁰	<u>1,507</u>	-	<u>39</u>	=	<u>1,468</u>	<u>460,702</u>
	<u>7,154</u>	-	<u>256</u>	=	<u>6,898</u>	<u>\$1,192,886</u>

The remissions relating to the 256 parcels which were submitted to the State Tax Commissioner represented \$163,265 of the total \$1,356,151 remissions recorded during the Period. We further analyzed the 6,898 parcels and their related remissions totaling \$1,192,886 as described in Issues No. 3 and 4.

¹⁰Includes first half of tax year 1999 settlement only.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 3 - Identification of "50% Waiver Remissions" and "Tax-Exempt Remissions"
--

We reviewed the remissions which were not submitted to the State Tax Commissioner and determined which remissions were: a) approved by the County Treasurer in accordance with Ohio Rev. Code Section 323.121(C), and b) the result of tax-exempt certifications issued by the State Department of Taxation. Neither of these two types of remissions were required to be submitted to the State Tax Commissioner for approval.

Procedures:

- Using ACL software, we sorted the 6,898 parcels and their related \$1,192,886 of remissions identified in Issue No. 2 into two categories: a) those remissions that were recorded by the Treasurer's Office by using the "Half Waiver" field within the computer system to waive 50% of the 10% penalty in accordance with Ohio Revised Code Section 323.121(C) (hereafter referred to as "50% remissions"; and b) those remissions that were not recorded using the "Half Waiver" field.

We reviewed the transaction dates of each "50% remission" to determine whether the tax payment and related remissions were recorded within the ten day period following the due date as required by Ohio Revised Code Section 323.121(C).

- We extracted all remissions which were recorded for tax years 1997, 1998 and/or the first half of 1999 which were the result of tax-exempt certifications issued by the State Department of Taxation and which were identified with an "ex" in the comments field. For each parcel we reviewed the tax exemption certificate issued by the Ohio Department of Taxation.

Results:

- We utilized ACL to perform a computerized sort of the 6,898 parcels and their related remissions totaling \$1,192,886 that were not submitted to the State Tax Commissioner and extracted all of the parcels and related remissions with a "y" in the Half-Waiver Field. This is the field the Treasurer's Office personnel use to indicate the payment was received within ten days after the due date which entitled the taxpayer to a 50% reduction of the 10% penalty per Ohio Rev. Code Section 323.121(C) (hereafter referred to as "50% remissions"). Our sort resulted in the following:

<u>Tax Year</u>	<u>Number of Parcels with related Remissions that were <u>not</u> Supported by a Form that was Sent to the State Tax Commissioner</u>	-	<u>Number of Parcels that Received a "50% Remission" by the Treasurer's Office</u>	=	<u>Number of Parcels with Related Remissions that were not Submitted to the State Tax Commissioner and were not "50 Remissions"</u>	<u>Dollar Amount</u>
1997	3,201		2,382		819	\$ 312,822
1998	2,229		1,424		805	382,836
1999 ¹¹	<u>1,468</u>		<u>967</u>		<u>501</u>	<u>457,778</u>
	<u>6,898</u>		<u>4,773</u>		<u>2,125</u>	<u>\$1,153,436</u>

¹¹ Includes first half of tax year 1999 settlement only.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

After identifying the 4,773 “50% remissions”, we interviewed Treasurer’s Office personnel to obtain an understanding of the control(s) in place to prevent Treasurer’s Office personnel from recording “50% remissions” for payments received beyond the ten day period following the County’s due date. According to Administrative Assistant Carole Moschetti, and Deputy Treasurers Lori Sullivan and Tonya Blackwood, Treasurer’s Office personnel record the “50% remission” by placing a “y” in the 50% waiver field within the computer system when recording a payment. The computer system is programmed each year by Mike Tilton, the Assistant Manager of the County’s Information Services Department so that the 50% waiver field is only accessible for ten days. Once the ten day period has expired, neither Treasurer’s Office personnel nor Auditor’s Office personnel can record “50% remissions”. We contacted Mike Tilton and requested that he confirm the statements made by Treasurer’s Office personnel and also demonstrate for us how the system will restrict access to the 50% waiver field. Mr. Tilton confirmed the statements made by Treasurer’s Office personnel and proceeded to demonstrate the restricted access to the field. When demonstrating, the computer system did allow Mr. Tilton to place a “Y” in the 50% waiver field although the ten day period had expired. Mr. Tilton reviewed the computer program and noticed that he had programmed the ten day restricted access control in the wrong field and therefore, the control was not operating. A recommendation will be made to protect this field to prevent data entry ten days after the due date and for an independent individual to test the data field to verify no entry can be made.¹²

Due to the fact that the computer control was not operating and thus, Treasurer’s Office personnel did have the ability to record “50% remissions” at any time during the year, we reviewed each of the “50% remissions” recorded during the Period to determine the extent to which they were recorded beyond the ten day period following the County’s due date. To do this, we sorted the 4,773 remissions by their transaction date, which is the date that the Treasurer’s Office personnel recorded the tax payment and the related “50% remission”. We reviewed the transaction dates to determine whether the payments were recorded within the ten day period following the County’s penalty date. Of the 4,773 remissions, only nine (9) were recorded after the ten day period following the County’s due date¹³:

Tax Year Settlement	Number of Remissions Recorded After the 10 Day Period Following the Penalty Date	Total Dollar Amount of Remission(s)
1 st Half 1997	1	\$ 6.44
2 nd Half 1997	1	199.87
1 st Half 1998	5	53.23
1 st Half 1999	<u>2</u>	<u>97.03</u>
	<u>9</u>	<u>\$356.57</u>

Each of the nine exceptions were recorded just a few days following the ten day period. We reviewed supporting documentation for each of these nine exceptions and determined they were eligible for the “50% remission” .

¹² See recommendation on page 18.

¹³ These transactions were recorded between eleven and sixteen days after the due date which was past the allowable ten day extension provided in Ohio Rev. Code Section 323.121(C).

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. Using ACL software and the 2,125 parcels identified above, we further extracted each of the parcels and their related remissions that were recorded with an “ex” in the “comments” field. The “ex” indicated the parcel was “tax exempt” because the owner was a) a government; b) a not-for-profit organization; c) a hospital; or d) any other type of tax exempt organization as stated in Ohio Rev. Code Sections 5709.07 - 5709.18. Like the “50% remissions”, these remissions were not required to be submitted to the State Tax Commissioner for approval. Our extraction resulted in the following number of “ex” parcels and the dollar amount of their related “ex” remissions:

Tax Year	Number of Parcels with Related Remissions that were not Submitted to the State Tax Commissioner and were not “50% Remissions”	-	Number of “ex” Parcels	=	Number of Remaining Parcels not Approved by the State Tax Commissioner	Dollar Value of Remaining Parcels not Approved by the State Tax Commissioner
1997	819	-	116	=	703	\$ 221,464
1998	805	-	171	=	634	81,343
1999 ¹⁴	<u>501</u>	-	<u>108</u>	=	<u>393</u>	<u>237,284</u>
	<u>2,125</u>		<u>395</u>		<u>1,730</u>	<u>\$ 540,091</u>

For each of the 395 exempt parcels, we identified the name and type of the organization and determined whether the “type” of the organization was eligible for tax-exempt status in accordance with Ohio Rev. Code Sections 5709.07 through 5709.18. We then contacted the County Auditor’s Office and requested to view the entity’s tax-exempt certificate issued by the Ohio Department of Taxation. We were able to view 393 tax-exempt certificates. The remaining two certificates (both issued to churches) had been destroyed in accordance with the County Auditor’s records retention schedule.

We further reviewed the remaining 1,730 parcels and related remissions totaling \$540,091 in Issue No. 4 to determine their purpose.

MANAGEMENT COMMENT

Half Waiver Field

We identified the “half-waiver” field in the real estate tax computer system was intended to be restricted at all times except for those ten days after the collection due date. In testing the restricted access, we determined the “half waiver field” was not protected. As a result, any of the deputy treasurers could grant the 50% waiver of the 10% penalty to taxpayers tendering payment more than 10 days after the due date.

We recommend an independent individual verify and test on a semi-annually basis whether the Data Processing Department has protected the “half waiver field” to prevent the deputy treasurers from granting the 50% waiver outside of the time frame established by the County Treasurer’s Office.

¹⁴Includes first half of tax year 1999 settlement only.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 4 - Review of Supporting Documentation of Remaining Remissions

We reviewed the remaining parcels and related remissions identified in Issue No. 3 to determine the purpose of the remissions.

Procedures:

1. Tax Years 1997 and 1998

We stratified the remaining 703 remissions and 634 remissions recorded for tax years 1997 and 1998 respectively. The stratification included two categories; a) those remissions that were equal to or less than one hundred dollars; and b) those remissions that were greater than one hundred dollars.

Using the stratification above, we selected 10% of the remissions in the "one hundred dollars or less" strata and traced each to its supporting documentation to determine the purpose of the remission.

For all remissions included within the "one hundred dollars or greater" strata, we reviewed the supporting documentation to determine the purpose of the remission.

2. Tax Year 1999

We extracted from the 393 remaining parcels, all remissions that exceeded \$5,000. We reviewed supporting documentation for each of these remissions to determine its purpose.

Results

1. Tax Year 1997 Stratification

We used ACL software to perform a stratification of the remaining tax year 1997 remissions identified in Issue No. 3. The stratification included two categories: a) remissions equal to or less than \$100; and b) remissions greater than \$100:

<u>Tax Year</u>	<u>Remissions Equal to or Less than \$100</u>	<u>Remissions Greater than \$100</u>	<u>Total Remissions</u>
1997	\$68,042	\$153,422	\$221,464

Tax Year 1997 - Remissions Equal to or Less Than \$100 (69 remissions)

We haphazardly selected individual remissions that, when totaled, represented 10% of the total value of the "equal to or less than \$100" strata. This included 69 remissions. For each selected remission, we determined the purpose of the remission by reviewing all available supporting documentation such as County Board of Revision and State Board of Tax Appeals decisions, and clerical notations filed by the Auditor or Treasurer's Office. We noted the following:

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- A. Seven (7) remissions were the result of decisions rendered by the County Board of Revisions. According to Ohio Rev. Code Sections 5715.15 and 16 and 319.36, these remissions were not required to be submitted to the State Tax Commissioner.

We were able to review five of the seven case files supporting the Board of Revision decisions. We were unable to review the remaining two case files which related to 1995 cases because they could not be located¹⁶. According to the County Board of Revisions' records retention schedule which we obtained from the County Auditor's Office, case files are to be maintained "six years or until audited, which ever is longer." Therefore at a minimum, the 1995 case file should have been maintained until the year 2001.

- B. Two (2) remissions were approved by the State Tax Commissioner. However, when we initially requested the Auditor's Office provide us with all remission forms that had been sent to the State Tax Commissioner for approval¹⁷, the Auditor's Office did not have forms for these two remissions. When we requested supporting documentation for these two remissions, the Treasurer's Office provided us with the approved State Tax Commissioner forms.
- C. Eight (8) remissions, totaling \$598, were the result of the Treasurer's Office extending due dates of individual taxpayers without the permission of the State Tax Commissioner. We will issue a noncompliance citation for this violation.¹⁸ Two of the eight remissions, totaling \$165, were the result of homestead exemptions which were granted near the due date which resulted in a reduction of the amount of tax due. In these situations, the Treasurer's Office granted the taxpayer additional time to pay the revised tax bill. No documentation was maintained to support the remaining six extensions totaling \$433. All eight payments were received on or before the extended due date, therefore the penalties and interest were removed.
- D. Three (3) remissions were the result of a mortgage company submitting payment without documentation indicating which parcels the payments were to be credited. Atlantic Mortgage Company submitted tax payments via magnetic tape for three parcels of real estate. The payments were received within the ten day period following the due date and thus, were eligible for a waiver of 50% of the 10% penalty in accordance with Ohio Rev. Code Section 323.121(C). However, no documentation was submitted with the tape to indicate what parcels of real estate the payments were to be credited.
- E. Six (6) remissions were the result of six different taxpayers who contacted the Treasurer's Office and contended that they did not open the tax bill when received because the envelope stated "Important Tax Documents". As a result, the taxpayers believed the documents were federal tax forms which were not due until April 15th as opposed to the County's February due date.
- F. Eleven (11) remissions were the result of the Treasurer's Office granting leniency to taxpayers whose checks were dated on or before the due date, but the envelope was postmarked one or two days after the due date. In these situations, the Treasurer's Office removed all penalties because there are certain U.S. postal service mailboxes which are not collected every day.

¹⁶ See noncompliance citation at the conclusion of Issue No. 4.

¹⁷ See Issue No. 2, Result No. 1.

¹⁸ See noncompliance citation at the conclusion of Issue No. 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- G. Thirty (30) remissions were the result of errors. Specifically:
- I. Five (5) remissions were the result of clerical errors such as the incorrect name or address on the tax bill. Such errors resulted in the need to return the tax bill to the County for correction and then mailed again.
 - II. One (1) remission was the result of a timely payment being sent to the Recorder's Office instead of the Treasurer's Office.
 - III. Twenty-four (24) remissions were the result of lock box errors. Lock boxes are placed at several banks within the County for acceptance of tax payments. The errors occurred when two large payments (representing 24 parcels) were placed in the boxes, yet not submitted to the Treasurer's Office in a timely manner. As a result, the payments were recorded in the computer system after the due date and the computer automatically assessed the penalties and interest. These penalties and interest were removed.
- H. One (1) remission was the result of the County Prosecutor submitting a letter to the County Auditor indicating the property owner did not owe taxes, penalties, or interest because the property owner was a public entity. This remission was not required to be submitted to the State Tax Commissioner for approval.
- I. One (1) remission totaling \$79.56 was recorded, however, neither the Treasurer's nor the Auditor's Office were able to provide an explanation or documentation supporting the remission.

Based upon our review of the supporting documentation, 59 of the 69 remissions reviewed should have been submitted to the State Tax Commissioner for approval. As a result, we will issue a noncompliance citation for violation of Ohio Rev. Code Section 5715.39.

Tax Year 1997 - Remissions Greater Than \$100 (126 remissions)

We reviewed all remissions greater than \$100 for tax year 1997; which included 126 remissions. For each remission, we determined the purpose of the remission by reviewing all available supporting documentation such as Board of Revision and Board of Appeals decisions, and clerical notations filed by the Auditor or Treasurer's Office. We noted the following:

- A. Twenty-two (22) remissions were the result of decisions rendered by the County Board of Revisions. According to Ohio Rev. Code Sections 5715.15 and 16 and 319.36, these remissions were not required to be submitted to the State Tax Commissioner.

We were able to review 21 of the 22 case files supporting the County Board of Revision decisions. We were unable to review the remaining case file which related to a 1995 case because the case could not be located¹⁹. According to the County Board of Revisions records retention schedule which we obtained from the County Auditor's Office, case files are to be maintained "six years or until audited, which ever is longer." Therefore at a minimum, the 1995 case file should have been maintained until the year 2001.

¹⁹ Per conversation with County Auditor personnel and the County Board of Revision Clerk.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In addition, one of the cases (98-039) assigned a County Board of Revisions' Case Number was not presented to the County Board of Revisions for a decision. This case should have been presented since the adjustment in square footage of the house located on the parcel affected several tax years. We will issue a noncompliance citation for violation of Ohio Rev. Code 319.36²⁰

- B. Two (2) remissions were the result of decisions rendered by the State Board of Tax Appeals. We were able to review documenting supporting both Board decisions. According to Ohio Rev. Code Sections 5715.15 and 16 and 319.36, these remissions were not required to be submitted to the State Tax Commissioner.
- C. Eleven (11) remissions were the result of the Treasurer's Office extending due dates of individual taxpayers without the permission of the State Tax Commissioner. We will issue a noncompliance citation for this violation.²¹ No documentation was maintained to support any of the extensions. All eleven payments were received on or before the extended due date, therefore the penalties and interest were removed.
- D. Sixteen (16) remissions were the result of the Treasurer's Office granting leniency to taxpayers whose checks were dated on or before the due date, but the envelope was postmarked one or two days after the due date. In these situations, the Treasurer's Office removed all penalties because there are certain U.S. postal service mailboxes which are not collected every day.
- E. Forty-two (42) remissions were the result of errors. Specifically:
 - I. Fifteen (15) remissions were the result of tax bills reflecting the incorrect name or address of the property owners, or other clerical errors. Therefore, the tax bill was returned to the County and was then resent with the correct information.
 - II. One (1) remissions was the result of a timely payment being sent to the Recorder's Office instead of the Treasurer's Office.
 - III. Twenty-six (26) remissions were the result of lock box errors. Lock boxes are placed at several banks within the County for acceptance of tax payments. The errors occurred when payments were placed in the boxes, yet not submitted to the Treasurer's Office in a timely manner. As a result, the payments were recorded in the computer system after the due date and the computer automatically assessed the penalties and interest. These penalties and interest were removed.
- F. Three (3) remissions were the result of the County Prosecutor submitting a letter to the County Auditor indicating the property owners did not owe taxes, penalties, or interest because the property owners were public entities. These remissions were not required to be submitted to the State Tax Commissioner for approval.
- G. Three (3) remissions were the result of three different taxpayers who contacted the Treasurer's Office and contended that they did not open the tax bill when received because the envelope stated "Important Tax Documents". As a result, the taxpayers believed the documents were federal tax forms which were not due until April 15th as opposed to the County's February due date.

²⁰ See noncompliance citation at the conclusion of Issue No. 4.

²¹ See noncompliance citation at the conclusion of Issue No. 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- H. Seven (7) remissions were the result of one large delinquent parcel being split into smaller parcels. When the split occurred, the delinquent taxes were removed from the large parcel and added proportionately (based on acreage) to the smaller parcels. These remissions were not required to be submitted to the State Tax Commissioner for approval.
- I. Eighteen (18) remissions were the result of a forfeited land sale. In this situation, three parcels were sold at a sheriff's auction and the selling price was less than the amount of taxes owed. As a result, the Treasurer's Office received a court-ordered amount for settlement of the delinquent taxes and the remaining amount was removed. These remissions were not required to be submitted to the State Tax Commissioner for approval.
- J. Two (2) remissions were the result of a sheriff sale. In this situation, the property was sold at a sheriff's sale prior to the date that the County assesses penalties and interest on delinquent taxes. However, the Treasurer's Office did not receive payment until after the penalties and interest had been assessed and therefore, they were removed. These remissions were not required to be submitted to the State Tax Commissioner for approval.

Based upon our review of the supporting documentation, 72 of the 126 remissions reviewed should have been submitted to the State Tax Commissioner for approval. As a result, we will issue a noncompliance citation for violation of Ohio Rev. Code Section 5715.39.²²

Tax Year 1998 Stratification

We used ACL software to perform a stratification of the remaining tax year 1998 remissions identified in Issue No. 3. The stratification included two categories: a) remissions equal to or less than \$100; and b) remissions greater than \$100:

<u>Tax Year</u>	<u>Remissions Equal to or Less than \$100</u>	<u>Remissions Greater than \$100</u>	<u>Total Remissions</u>
1998	\$20,247	\$61,096	\$81,343

Tax Year 1998 - Remissions Equal to or Less Than \$100 (64 remissions)

We haphazardly selected individual remissions that, when totaled, represented 10% of the total value of the "equal to or less than \$100" strata. This included 64 remissions. For each selected remission, we determined the purpose of the remission by reviewing all available supporting documentation such as County Board of Revision and State Board of Tax Appeals decisions, and clerical notations filed by the Auditor or Treasurer's Office. We noted the following:

- A. Two (2) remissions were the result of decisions rendered by the State Board of Tax Appeals. We were able to review documentation supporting both Board decisions. According to Ohio Rev. Code Sections 5715.15 and 16 and 319.36, these remissions were not required to be submitted to the State Tax Commissioner.

²² See noncompliance citation at the conclusion of Issue No. 4.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- B. Four (4) remissions were the result of the Treasurer's Office extending due dates of individual taxpayers without the permission of the State Tax Commissioner. We will issue a noncompliance citation for this violation.²³ One of the four remissions was the result of a homestead exemption being granted near the due date which resulted in a reduction of the amount of tax due. In this situation, the Treasurer's Office granted the taxpayer additional time to pay the revised tax bill. No documentation was maintained to support the remaining three extensions. All four payments were received on or before the extended due date, therefore the penalties and interest were removed.
- C. Fifty-six (56) remissions were the result of errors. Specifically:
- I. Twelve (12) remissions were the result of tax bills reflecting the incorrect name or address of the property owners, or the incorrect post office box number on the return address. Therefore, the tax bill was returned to the County and was then resent with the correct information.
 - II. One (1) remissions was the result of a timely payment being sent to the Recorder's Office, instead of the Treasurer's Office.
 - III. Forty-three (43) remissions were the result of lock box errors. Lock boxes are placed at several banks within the County for acceptance of tax payments. The errors occurred when three large payments (representing 43 parcels) were placed in the boxes, yet not submitted to the Treasurer's Office in a timely manner. As a result, the payments were recorded in the computer system after the due date and the computer automatically assessed the penalties and interest. These penalties and interest were removed.
- D. One (1) remission was the result of the Treasurer's Office misplacing a payment which was received on or before the due date. The payment was later located and therefore, the penalties were removed.
- E. One (1) remission was the result of changes which were made by a mortgage company. The company had planned to establish escrow accounts for the property taxes which were due from mortgagors and therefore, the County Auditor mailed the tax bills to the mortgage company. However, the escrow accounts were not established and the mortgage company returned the tax bills to the Auditor's Office and requested that they be mailed directly to the mortgagors. Since the mortgage company returned the tax bills to the County only three days prior to the due date, the County Treasurer extended the due date for the mortgagors.

Based upon our review of the supporting documentation, 62 of the 64 remissions reviewed should have been submitted to the State Tax Commissioner for approval. As a result, we will issue a noncompliance citation for violation of Ohio Rev. Code Section 5715.39.²⁴

²³ See noncompliance citation at the conclusion of Issue No. 1.

²⁴ See noncompliance citation at the conclusion of Issue No. 4.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Tax Year 1998 - Remissions Greater Than \$100 (94 remissions)

We reviewed all remissions greater than \$100 for tax year 1997; which included 94 remissions. For each remission, we determined the purpose of the remission by reviewing all available supporting documentation such as Board of Revision and Board of Appeals decisions, and clerical notations filed by the Auditor or Treasurer's Office. We noted the following:

- A. Eight (8) remissions were the result of decisions rendered by the State Board of Tax Appeals. We were able to view the eight case files supporting these decisions. According to Ohio Rev. Code Sections 5715.15 and 16 and 319.36, these remissions were not required to be submitted to the State Tax Commissioner.
- B. Three (3) remissions were approved by the State Tax Commissioner. However, when we initially requested the Auditor's Office provide us with all remission forms that had been sent to the State Tax Commissioner for approval²⁵, the Auditor's Office did not have forms for these three remissions. When we requested supporting documentation for these three remissions, the Treasurer's Office provided us with the approved State Tax Commissioner forms.
- C. Six (6) remissions were the result of the Treasurer's Office extending due dates of individual taxpayers without the permission of the State Tax Commissioner. We will issue a noncompliance citation for this violation.²⁶ No documentation was maintained to support any of the extensions. All six payments were received on or before the extended due date, therefore the penalties and interest were removed.
- D. Fifty-six (56) remissions were the result of errors. Specifically:
 - I. Twenty-one (21) remissions were the result of tax bills reflecting the incorrect name or address of the property owners, or other clerical errors. Therefore, the tax bill was returned to the County and was then resent with the correct information.
 - II. Thirty-five (35) remissions were the result of lock box errors. Lock boxes are placed at several banks within the County for acceptance of tax payments. The errors occurred when payments were placed in the boxes, yet not submitted to the Treasurer's Office in a timely manner. As a result, the payments were recorded in the computer system after the due date and the computer automatically assessed the penalties and interest. These penalties and interest were removed.
- E. Two (2) remissions were the result of a sheriff sale. In this situation, the property was sold at a sheriff's sale prior to the date that the County assesses penalties and interest on delinquent taxes. However, the Treasurer's Office did not receive payment until after the penalties and interest had been assessed and therefore, they were removed. These remissions were not required to be submitted to the State Tax Commissioner for approval.
- F. Five (5) remissions were the result of either the Auditor's or Treasurer's Office misplacing a payment which was received on or before the due date. The payment was later located and therefore, the penalties were removed.

²⁵ See Issue No. Two, Result No. 1.

²⁶ See noncompliance citation at the conclusion of Issue No. 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- G. Seven (7) remissions were the result of the Treasurer's Office granting leniency to taxpayers whose checks were dated on or before the due date, but the envelope was postmarked one or two days after the due date. In these situations, the Treasurer's Office removed all penalties because there are certain U.S. postal service mailboxes which are not collected every day.
- H. Four (4) remissions were the result of one large delinquent parcel being split into smaller parcels. When the split occurred, the delinquent taxes were removed from the large parcel and added proportionately (based on acreage) to the smaller parcels. These remissions were not required to be submitted to the State Tax Commissioner for approval.
- I. One (1) remission was the result of changes which were made by a mortgage company. The company had planned to establish escrow accounts for the property taxes which were due from mortgagors and therefore, the County Auditor mailed the tax bills to the mortgage company. However, the escrow accounts were not established and the mortgage company returned the tax bills to the Auditor's Office and requested that they be mailed directly to the mortgagors. Since the mortgage company returned the tax bills to the County only three days prior to the due date, the County Treasurer extended the due date for the mortgagors.
- J. One (1) remission was the result of a collection agent not submitting a timely taxpayer payment to the Treasurer's Office.
- K. One (1) remission in the amount of \$159 was supported solely by a phone message pad which reflected the name of the property owner, address of the property, and hand-written notations which read "taxes penalty" and "request from Kay Rogers". We spoke with representatives of the County Auditor's and County Treasurer's Offices to determine the explanation for this remission.

We spoke with Ms. Kay Rogers, Butler County Auditor, who indicated she was not aware of this remission occurring and does not know the property owners whose parcel of land received the remission. In addition, we spoke with Ms. Nancy Powell, Deputy Auditor to obtain additional information about the remission. According to Ms. Powell, Ms. Rogers did not request the removal of the penalty. The handwritten-notation simply meant that Ms. Rogers referred the property owner to the Treasurer's Office. Ms. Powell also indicated she believed she may have even forwarded the phone call to the Treasurer's Office.

We spoke with Ms. Mary Law, Butler County Treasurer, and Carole Moschetti, Butler County Treasurer-Elect who referred us to Diane Getz. We then spoke with Diane Getz, Deputy Treasurer, who prepared the Treasurer's "in-house" form for the remission to be processed. Ms. Getz indicated she received the phone message from Michael Greevy, Secretary for Kay Rogers, County Auditor, asking for the penalties to be remitted. Based on the message, she prepared the Treasurer's "in-house" form and submitted it to the County Auditor's Office to post the remission to the taxpayers account. No additional documentation or information could be provided.

Based upon our review of the supporting documentation, 77 of the 94 remissions reviewed should have been submitted to the State Tax Commissioner for approval. As a result, we will issue a noncompliance citation for violation of Ohio Rev. Code Section 5715.39.²⁷

²⁷ See noncompliance citation at the conclusion of Issue No. 4.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. Tax Year 1999 - Extraction and Review of Remissions in Excess of \$5,000

Using ACL software, we extracted all remissions recorded for the first half of tax year 1999 which exceeded \$5,000. This extraction resulted in eight (8) remissions totaling \$143,970. We reviewed supporting documentation for each of the eight (8) remissions to determine its purpose. We noted the following:

- A. One (1) remission was the result of a decision rendered by the County Board of Revisions. We were able to view the case file supporting this decision. According to Ohio Rev. Code Sections 5715.15 and 16 and 319.36, this remission was not required to be submitted to the State Tax Commissioner.
- B. Three (3) remissions were the result of a forfeited land sale. In this situation, three parcels were sold at a sheriff's auction and the selling price was less than the amount of taxes owed. As a result, the Treasurer's Office received a court-ordered amount for settlement of the delinquent taxes and the remaining amount was removed. These remissions were not required to be submitted to the State Tax Commissioner for approval.
- C. Two (2) remissions were the result of one large delinquent parcel being split into smaller parcels. These remissions were not required to be submitted to the State Tax Commissioner for approval.
- D. One (1) remission was the result of the Treasurer's Office extending an individual's due date because of a revised property appraisal value.
- E. One (1) remission totaling \$9,848 was the result the County Auditor's Office processing a Treasurer's "in-house" form requesting a remittance to remove the penalties and interest on 17 parcels of real estate owned by Mr. Irvin Tessler (d.b.a. One Seventy Seven West and Champion East, Ltd.).

Based upon our review of the supporting documentation, 2 of the 8 remissions reviewed should have been submitted to the State Tax Commissioner for approval. As a result, we will issue a noncompliance citation for violation of Ohio Rev. Code Section 5715.39.²⁸

- 3. While reviewing the 1997, 1998, and 1999 parcels and related remissions above, we identified the following matters which we recommend should be discussed with the County Prosecutor to determine whether the penalties and interest should be reinstated:
 - A. One clerical error resulted in the removal of the entire penalty for Parcel A0700015000083 in Tax Year 1997. The value of the property was decreased by the County Board of Revisions by 21.37%. Instead of decreasing the penalties and interest proportionately to this 21.37% decrease, the entire amount of penalties and interest were removed.
 - B. Parcels Q6541004000099 and Q6541004000102 in Tax Year 1997 reflected a total delinquent tax balance of \$1,839.55 when they were combined and split into three new parcels. When they were combined and split, the entire \$1,839.55 delinquent balance was removed and not allocated to the three new parcels.
 - C. Parcel P6600134000011 in Tax Year 1998 reflected a total delinquent tax balance of \$2,773.01 when it was split to make five new parcels. When the parcel was split, the entire \$2,773.01 delinquent balance was removed and not allocated to the five new parcels.

²⁸ See noncompliance citation at the conclusion of Issue No. Four.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- D. The property appraisal values of parcels A0700222000001 and M5620341000003 in Tax Year 1997 were reduced. However, instead of reducing the penalty proportionately with the decrease in appraisal value, the entire penalty was removed.
- E. The appraisal value of Parcel B1010018000072 in Tax Year 1998 inappropriately included the value of a house which was located on an adjacent parcel. When the error was discovered by the County Auditor's Office, Parcel B1010018000072 reflected a delinquent tax balance of \$787.37 attributable to the house. The entire \$787.37 delinquent balance was removed from Parcel B1010018000072, however it was not added to the parcel on which the house was located.
- F. In tax year 1999, Parcel M5610025000027, was split into three smaller parcels. When the split occurred, the delinquent taxes were removed from the large parcel and added proportionately (based on acreage) to the smaller parcels. However, when the large parcel was split, only \$5,088 of the delinquent balance was allocated to the smaller parcels, as opposed to the entire delinquent balance of \$5,547. We recommend the County Auditor discuss this matter with the County Prosecutor to determine whether the \$459 should be reinstated.

NON-COMPLIANCE CITATIONS

1. Ohio Rev. Code Section 5715.39 provides the "tax commissioner may remit real property taxes, manufactured home taxes, penalties, and interest found by the commissioner to have been illegally assessed. The commissioner also may remit any penalty charged against any real property or manufactured or mobile home that was the subject of an application for exemption from taxation under section 5715.27 of the Revised Code if the commissioner determines that the applicant requested such exemption in good faith. The commissioner shall include notice of the remission in the commissioner's certification to the county auditor required under that section."

We noted 272 remissions that should have been submitted to the State Tax Commissioner approval, but were not. Those 272 remissions are broken down as follows:

<u>Tax Year</u>	<u>Total Number of Remissions</u>	<u>Number of Remissions That Were Required to be Submitted to the State Tax Commissioner, but were not</u>	<u>Expressed as a Percentage of the Total</u>
1997	3,245	131	4%
1998	2,402	139	6%
1999 ²⁹	<u>1,507</u>	<u>2</u>	< 1%
	<u>7,154</u>	<u>272</u>	

We recommend all remissions of penalty and interest, which are not otherwise exempted from State Tax Commissioner approval by Ohio Rev. Code, be submitted to State Tax Commissioner.

²⁹ Includes first half of tax year 1999 settlement only.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

2. Ohio Rev. Code Section 319.36 states “if at any time, the auditor discovers that erroneous taxes, assessments, or charges have been charged or collected in previous years as a result of a clerical error, the auditor shall call the attention of the county board of revision to such charge or collection at a regular or special session of the board.”

One remission made did affect more than one tax year and was not presented to the Board of Revision for its review.³⁰

We recommend all remissions affecting more than one tax year be presented to the Board of Revision for its review to ensure compliance with this section.

3. Ohio Rev. Code Section 149.351 (A), provides “all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42.”

We were unable to review two 1995 County Board of Revision cases as the case files could not be located. The Butler County Board of Revision’s records retention schedule provides the cases are to be retained for a period of “six years or after the completion of an audit, whichever is longer.” Therefore at a minimum, the 1995 case file should have been available for review until the year 2001.

We recommend an independent individual review the records being stored or destroyed to ensure records are destroyed in accordance with the records retention schedule and the location of the storage is known in case a taxpayer wishes to review the records.

MANAGEMENT COMMENTS

Documentation for Remissions

We noted numerous instances where supporting documentation was not maintained with the remission request or the documentation maintained did not provide a clear explanation. As a result, the County Treasurer’s Office had to reconstruct what occurred for transactions it initiated. For those remissions initiated by the County Auditor’s Office, we had to obtain additional explanation as a review of the documentation available did provide an easily identifiable reason for the remission or easily identifiable support for the remission. In addition, there were instances where the explanations on the Treasurer’s “in-house” forms were vague or inaccurate. We identified through a review of the documents that a person independent of the deputy clerk preparing the remission did not review the remission for reasonableness.

We recommend that the Treasurer’s Office maintain documentation to support the remission. Supporting documentation can include, but is not limited to: a letter with the circumstances from the taxpayer, copies of the bill of sale and ads from the paper for forfeited land sales, forms for delinquent land splits, letter/form from taxpayer requesting reappraisal, and detailed explanation forms for clerical errors. The treasurer’s office should have a person independent of the preparation of the remission request to review all the documentation before sending it to the Tax Commissioner as required by Ohio Revised Code Section 5715.39.

³⁰ See pages 21 and 22 Result A for a description of the non-compliance violation.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Contracts

Currently, the Treasurer's Office enters into individual contracts when instituting payment plans for individual taxpayers. During our review of these contracts we noted that several contracts a) did not identify the specific parcel number(s) covered by the contract; and/or b) did not reflect the tax year to which the delinquent tax was attributable.

We recommend that all contracts clearly state the parcel(s) covered by the contract and the specific tax year to which the delinquency is attributable.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BUTLER COUNTY AUDITOR & TREASURER'S OFFICES

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2001**